



# **MBOMBELA LOCAL MUNICIPALITY**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2007**

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**MBOMBELA LOCAL MUNICIPALITY  
GENERAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2007**

**REGISTERED OFFICE**

CIVIC CENTRE  
NEL STREET  
NELSPRUIT

P O BOX 45  
NELSPRUIT  
1200

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FAX NUMBER +27 13 759-2002**

**WEBSITE ADDRESS: [www.mbombela.gov.za](http://www.mbombela.gov.za)**

**GRADING OF LOCAL AUTHORITY**  
GRADE 9

**AUDITORS**  
THE AUDITOR GENERAL

**BANKERS**  
ABSA BANK NELSPRUIT

**COUNCILLORS**

M J Mohlala	Speaker
J Nsibande	Executive Mayor
C N Ndlovu	Executive Deputy Mayor
M W Nkosi	Chief Whip
E M Dlodlu	Member of Mayoral Committee - Public Safety & Transport
G S Siwela	Member of Mayoral Committee - PMU/Civil Engineering & Urban Planning, Electrical Engineering & Housing
J V Sambo	Member of Mayoral Committee - Sports/Culture & Transversal
T V Ndhlala	Member of Mayoral Committee - Finance/IDP/LED/Performance
Z J Mokoena	Member of Mayoral Committee - Waste Management/Health/Parks & Cemeteries
A A Ndowane	Councillor
A B Mashabane	Councillor
B P Maseko	Councillor
C D Mac Pherson	Councillor
C G Mokoena	Councillor
C J Booyens	Councillor
C J M Pienaar	Councillor
C Maseko	Councillor
D P C Tau	Councillor
E M Khoza	Councillor
E N Sambo	Councillor
F G Mbuyane	Councillor
F H J Siboya	Councillor
F Lange	Councillor
F P Nkala,	Councillor
G C de Bruin	Councillor
H K Malomane	Councillor
H L Lekhuleni	Councillor
J D Nkosi	Councillor

**MBOMBELA LOCAL MUNICIPALITY  
GENERAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2007**

J Koster	Councillor
J M Khumalo	Councillor
J M Mbazo	Councillor
J Sidell	Councillor
L E Nyalungu	Councillor
M A Ngwenyama	Councillor
M C Mafotha	Councillor
M D Mnisi	Councillor
M E Banda	Councillor
M E Mndebele	Councillor
M J Msibi	Councillor
M J Mwali	Councillor
M M Mlimi	Councillor
M O Mathebula	Councillor
M S Dube	Councillor
N A Mokoena	Councillor
N B Matume	Councillor
N L Mabunda	Councillor
N L Mkhwanazi	Councillor
N M Mashabane	Councillor
S D Mboshane	Councillor
S G Chiloane	Councillor
S R Schormann	Councillor
S S Lukhele	Councillor
S T Luthuli	Councillor
S Zwane	Councillor
T C Simelani	Councillor
T E Nkosi	Councillor
T F Nkosi	Councillor
T G Manana	Councillor
T J Milazi	Councillor
T K Mabilane	Councillor
T M Charles	Councillor
T M Manana	Councillor
T N Sifunda	Councillor
T R Sgudla	Councillor
V A Mdluli	Councillor
V B Mlimi	Councillor
V M Mathebula	Councillor
W A Mona	Councillor
W N Murphy	Councillor
Z L Mandlazi	Councillor
Z M Boroko	Councillor

**AUDIT COMMITTEE**

Prof MJ Maseko	Chairman
A Keyser	Member
O Mhlabane (Me)	Member
B Bando (Me)	Member

**MBOMBELA LOCAL MUNICIPALITY  
GENERAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2007**

**MUNICIPAL MANAGER**

Mr JT Dladla

**CHIEF OPERATIONAL OFFICER**

Mr FS Sibozu

**CHIEF FINANCIAL OFFICER**

Mr MP Shongwe

**EXECUTIVE MANAGER TECHNICAL SERVICES**

Mr ND Malokela

**EXECUTIVE MANAGER COMMUNITY SERVICES**

Vacant

**EXECUTIVE MANAGER CORPORATE SERVICES**

Mr J Ngobeni

**APPROVAL OF FINANCIAL STATEMENTS**

The annual Financial Statements as attached were signed by the Municipal Manager.

.....  
JT DLADLA  
**MUNICIPAL MANAGER**  
30 August 2007

.....  
MP SHONGWE  
**CHIEF FINANCIAL OFFICER**  
30 August 2007

**MBOMBELA LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2007**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 44, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

JT Dladla  
Municipal Manager  
30-Aug-07

<p style="text-align: center;"><b>MBOMBELA LOCAL MUNICIPALITY</b>  <b>FINANCIAL REPORT TO THE ANNUAL FINANCIAL STATEMENTS</b>  <b>FOR THE YEAR ENDED 30 JUNE 2007</b></p>
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1. **Basis of Presentation**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

The Municipality has adopted the standards of GAMAP and GRAP issued by the Accounting Standard Board during the financial year.

The Financial Statements are based on the following principles :

- Standards of GRAP – which are GRAP 1, GRAP 2 and GRAP 3 and the 8 GAMAP standards.
- The new budget formats prescribed by National Treasury.
- The Municipal Finance Management Act.
- The Division of Revenue Act.

2. **Presentation Currency**

These Annual Financial Statements are presented in South African Rand.

3. **Going Concern Assumption**

These Annual Financial Statements have been prepared on a going concern basis.

4. **Operating Results**

The Operating Results achieved for the past financial year are a surplus of R19 394 355 against the budgeted surplus of nul. This represents and attributed to a budgeted expenditure provided for which did not realize the following segments :

	<b>Budget 2006/2007</b>	<b>Actual 2006/2007</b>	<b>Deviation</b>
<b>Employee Related Cost</b>			
Mainly the result of vacancies and the time to fill these vacancies.	179 462 597	176 301 175	3 161 422

**Interest on External Borrowings**

Interest calculations were based on the 2006/2007 Capital Budget projects financed from external funding while the Capital projects expenditure did not realize 100% for the year. We did not take up a loan in the 2006/2007 financial year for the projects.

16 485 746	12 649 059	3 836 687
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<p align="center"><b>MBOMBELA LOCAL MUNICIPALITY</b>  <b>FINANCIAL REPORT TO THE ANNUAL FINANCIAL STATEMENTS</b>  <b>FOR THE YEAR ENDED 30 JUNE 2007</b></p>
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	<b>Budget 2006/2007</b>	<b>Actual 2006/2007</b>	<b>Deviation</b>
<b>Depreciation</b>			
Depreciation was calculated based on GAMAP standards	30 762 293	29 253 589	1 508 704
<b>Licenses – Motor Vehicles</b>			
Motor license fees increases plus vehicle units increases	34 195 562	41 538 123	R7 342 561
<b>Repair and Maintenance</b>			
Underspending for the year compare to budget.	62 537 121	57 684 962	4 852 159
<b>Income - Interest Received</b>			
Interest on advances, Arrear accounts, Current bank Account and interest on External investments.	19 350 822	39 346 915	19 996 093

An additional contribution had been made to the Leave Reserve Provision to the amount of R3 103 276 to supplement the provision based on the total leave days accumulated by personnel.

Bad debts to the amount of R52 879 930 were written off during the financial year against the Bad Debt Provision.

An amount of R28 000 000 contribution had been made to the Capital Replacement Reserve to finance future assets from the Reserve Fund.

Expenditure on fixed assets incurred during the year amounts to R335 049 938. During the financial year R68 981 971 was spent from own funds and R266 067 967 from Conditional Municipal Infrastructure Grant funding.

At 30 June 2007 investments and cash on hand amounted to R266 500 890 which is an increase of R35 866 444 over the past financial year. Including in the investments and cash is long-term investments to the value of R15 143 961 which are set aside to redeem external loans. More information regarding external loans and investments are disclosed in Notes 6 and 13 and in Appendix A.



<p style="text-align: center;"><b>MBOMBELA LOCAL MUNICIPALITY</b>  <b>FINANCIAL REPORT TO THE ANNUAL FINANCIAL STATEMENTS</b>  <b>FOR THE YEAR ENDED 30 JUNE 2007</b></p>
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## OPERATING RESULTS

Expenditure classified according to the main expenditure groups.

	Budget	Actual
	2006/2007	2006/2007
Salaries and Allowances	179 462 597	176 301 175
Council Remuneration	12 238 912	12 217 409
General Expenditure	132 823 205	114 001 521
Contracted Services	50 598 829	46 333 510
Purchase of Electricity	92 567 831	96 980 639
Purchase of Water	6 444 090	2 075 938
Repairs and Maintenance	62 537 121	57 684 962
Depreciation	30 762 293	29 253 589
Departmental Charges	126 821 982	126 818 104
Loss on Disposal of PPE	273 078	75 537
Provisions	<u>31 177 835</u>	<u>30 699 122</u>
<b>Gross Expenditure</b>	<b>725 707 773</b>	<b>692 441 505</b>
<b>Less : Amounts Charged Out</b>	<b><u>127 408 980</u></b>	<b><u>127 293 750</u></b>
Total Expenditure before Transfers	598 298 793	565 147 755
Transfer to Utilized Capital Projects		266 067 967
Transfer to CCR	28 000 000	28 000 000
Transfer to Leave Reserve		3 103 276
Transfer to Operating Income		3 210 217
Transfer from CCR		(28 000 000)
Transfer from NDR Operating Expenditure		(1 199 044)
Transfer from Accumulated Surplus	<u>626 298 793</u>	<u>(335 692)</u> 835 994 479
<b>Less : Total Income</b>	<b><u>598 298 782</u></b>	<b><u>855 388 834</u></b>
<b>Surplus / (Deficit)</b>	<b><u>(28 000 011)</u></b>	<b><u>19 394 355</u></b>

## CONSUMER SERVICES

The nett surplus on Consumer Services amounts to R 8 726 269 and is calculated as follows :

**R**

Waste Management	(4 405 852)
Electricity	10 339 766
Water	<u>2 792 355</u>
	<u>8 726 269</u>

<p style="text-align: center;"><b>MBOMBELA LOCAL MUNICIPALITY</b></p> <p style="text-align: center;"><b>FINANCIAL REPORT TO THE ANNUAL FINANCIAL STATEMENTS</b></p> <p style="text-align: center;"><b>FOR THE YEAR ENDED 30 JUNE 2007</b></p>
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The nett surplus was used to finance the deficit on Rates and General Services.

The surplus on the Consumer Services for 2006/2007 is calculated as follows :

	Income	Expenditure
Waste Management	65 727 003	70 132 855
Electricity	169 653 649	159 313 883
Water	<u>76 356 846</u>	<u>73 564 491</u>
	<b><u>311 737 498</u></b>	<b><u>303 011 229</u></b>
<b>Surplus R8 726 269</b>		

#### DEBTORS AND LOANS OUTSTANDING

The outstanding debtors for Long-term, Consumers and others Debtors in comparison with the 2006 financial year are as follows :

	2005/2006	2006/2007
<b>a Long-Term Debtors</b>		
Motor Scheme Loans	145 938	-
Furniture Removal Loans	670	670
Bursary Loans	628 495	616 914
Stock Transfer - GNUC	277 559	277 559
Sport Club Loans	26	26
Housing Schemes and Sale of Stands	<u>9 110 141</u>	<u>5 495 698</u>
	<b><u>10 162 829</u></b>	<b><u>6 390 868</u></b>
<b>b Consumer Services</b>		
Refuse Services	28 346 850	32 165 402
Sewerage Services	6 598 836	6 986 227
Water	21 442 724	22 033 205
Electricity	14 840 402	16 329 253
Indigents/Abeyance and Installments	72 442 136	15 674 912
Interest on Arrears	<u>28 488 543</u>	<u>38 343 0919</u>
	<b><u>172 159 491</u></b>	<b><u>121 325 762</u></b>
<b>c Other Debtors</b>		
Assessment Rates	39 222 826	46 738 671
Fire Brigade	104 961	126 790
Sundry General	8 763 438	12 790 043
Hire of Grounds	1 152 791	1 242 228
Stand Installments	3 758 831	3 548 270
Housing Installments	999 929	926 571
Bursary Loan Installments	215 315	250 177
Sport Clubs Installments	139 562	162 698
Service Contributions	<u>1 166 094</u>	<u>944 672</u>
	<b><u>55 523 747</u></b>	<b><u>66 730 087</u></b>

**MBOMBELA LOCAL MUNICIPALITY**  
**FINANCIAL REPORT TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**MP Shongwe**  
**CHIEF FINANCIAL OFFICER**  
**31 August 2007**

**MBOMBELA LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**1 OBJECTIVE**

The objective of the annual financial statements is to be a source of information on the financial position performance and changes in financial status of the Mbombela Local Municipality and demonstrates accountability useful to a wide range of users in making economic or political decisions.

**2 BASIS OF PRESENTATION**

- 2.1** The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;  
 General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. A summary of the significant accounting policies are disclosed below.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP and/or SA GAAP, which were exempted in terms of General notice 552 of 2007:

Standard Number	Standard Title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General Notice 552 of 2007, in Government Gazette no. 30013 of 29 June 2007, that have been early adopted
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46.

- 2.2** The financial statements have been prepared on the historical cost basis.
- 2.3** Statements are also prepared on the accrual basis of accounting. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.
- 2.4** Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GAMAP of GRAP.
- 2.5** The principal accounting policies adopted in preparation of these annual financial statements are set out below.
- 3 PRESENTATION CURRENCY**  
 These annual financial statements are presented in South African Rand
- 4 GOING CONCERN ASSUMPTION**  
 These annual financial statements have been prepared on a going concern basis.

**MBOMBELA LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**5 HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, act 107 of 1997. Loans from National and Provincial Government used to finance housing developments undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Proceeds from housing development fund schemes which include rental income and sale of houses are recognised as revenue in the statement of financial performance and a corresponding transfer is made to the fund.  
Expenditure allowed in terms of the Housing Act is expensed in the statement of financial performance and a corresponding transfer is made to the fund

**6 RESERVES**

**Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised

**6.1 Capital Replacement Reserve (CRR)**

The purpose of the CRR is to set aside cash to provide infrastructure and other items of property, plant and equipment from internal sources. Transfers were made to a designated CRR account and can only be used to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilized. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

**6.2 Capitalization Reserve**

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment have been transferred to a Capitalization reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury.

The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on the Capitalization reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalization Reserve to the accumulated surplus/(deficit).

**6.3 Government Grant Reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the government grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the government grant Reserve to the accumulated surplus/(deficit).

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

**6.4 Donations and Public Contributions Reserve**

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit).

**MBOMBELA LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

**6.5 Self – Insurance Reserve**

The municipality has a Self – Insurance Reserve to set aside amounts to offset potential losses or claims. The Self – Insurance reserve is maintained to provide for non-claimable losses as well as for motor vehicle claims. Insurance premiums are charged out to the respective services and departments in accordance with the insured value of assets.

The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in the Statement of Financial Performance. These premiums do not affect the Self Insurance Reserve.

Repair and replacement costs not fully covered by external insurance are financed from the insurance reserve. The repair and replacement cost is regarded as an expense and is reflected in the Statement of financial performance. An amount equal to the expense is transferred from the Insurance Reserve to the Unappropriated Surplus via the Statement of changes in net assets.

**7 PROPERTY, PLANT & EQUIPMENT**

**7.1** An item of property, plant and equipment is recognised in the financial statements as an asset when:

- it is a resource controlled by a municipality
- as a result of past events
- from which future economic benefits or potential service provision is expected to flow to the municipality; and
- the cost of the asset to the municipality can be measured reliably.

**7.2** Property, plant and equipment are stated at historical cost, less accumulated depreciation. Such assets are financed either by external loans, capital replacement reserve, government grants and subsidies and donations.

**7.3** Heritage assets defined as of culturally significance are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

**7.4** Depreciation is calculated on cost, using the straight – line method over the useful lives of the asset. Assets will be depreciated according to their annual depreciation rates as prescribed in the Asset Management Policy.

**7.5** Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down to its recoverable amount and an impairment loss is charged to the statement of financial performance.

**7.6** Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

**7.7** Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

**7.8** Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

**7.9 Disposal and retirement of assets**

Assets are written off on disposal or retirement.

The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

**7.10 Depreciation and impairment losses**

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives:

<b>Infrastructure</b>	<b>Years</b>	<b>Other</b>	<b>Years</b>
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<b>Community</b>		Specialised plant and equipment	10-15
Improvements	30	Other plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		
<b>Investment Properties</b>	30		

<p style="text-align: center;"><b>MBOMBELA LOCAL MUNICIPALITY</b>  <b>ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS</b>  <b>FOR THE YEAR ENDED 30 JUNE 2007</b></p>
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**8 FINANCIAL INSTRUMENTS**

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale.

All financial assets that are within the scope of IAS 39 are classified into one of the four categories

Financial instruments include cash and bank balance, investments, trade receivables and borrowings.  
The municipality classifies its financial assets as loans and receivables.

Where investments have been impaired in accordance with IAS39.58-.70, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

**8.1 Loans and receivables:**

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months. These are classified as non current assets. Loans and receivables are classified as "trade and other receivables" in the statement of financial position.  
Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost using the effective interest rate.

**8.2 Financial liabilities**

Financial liabilities are recognised initially at cost which represents fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

**8.3 Investments**

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of The Deposit Taking Institutions Act of 1990 with an A1 or similar rating for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet Commitments.

**9 LEASES**

Leases are classified as finance leases where substantially all the risk and rewards associated with ownership of an asset are transferred to the municipality.

Operating leases are those leases that do not fall within the scope of the above definition. Operating rentals are expensed as they become due.

Property, plant and equipment subjected to finance lease agreements are capitalised at their cost equivalent and the corresponding liabilities are raised.

The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight - line basis over its useful live.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method.  
Lease finance costs are expensed when incurred.

**10 INVENTORIES**

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In general, the Basis of determining cost is the first in first out method.

Redundant and slow - moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

**MBOMBELA LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**11 EMPLOYEE BENEFITS**

**11.1 Pension / Retirement Fund**

The municipality provides for retirement benefits to its employees and councillors and contribute to the under - mentioned pension funds:

- § Joint Municipal Pension Fund
- § Municipal Employees Pension Fund
- § Municipal Gratuity Fund
- § SANLAM Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

The retirement benefits are calculated in accordance with the rules of the funds.

**11.2 Medical Aid: Continued Members**

Council provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which Council is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 40% of the medical aid membership fee, and Council for the remaining 60%.

These contributions are charged to the operating account when paid.

**12 REVENUE RECOGNITION**

Revenue is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other municipal services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

**12.1 Revenue from rates**

Revenue from rates is recognized, net of rebates granted, when the legal entitlement to this revenue arises. A Differential Rating system is applied. In terms of this system assessment rates are levied on the improvements value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs for different categories of ratepayers is employed.

**12.2 Service charges relating to Electricity, Water, Sewerage and Refuse**

Service charges relating to Electricity and Water are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized when billed. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when billed. Adjustments to estimates of consumption are made in the billing period when meters have been read. These adjustments are recognized as revenue in the billing period.

Sewerage charges are levied and billed on a monthly basis based on the municipality's Tariff Policy.

Refuse charges are levied and billed on a monthly basis based on the municipality's Tariff Policy.

**12.3 Collection charges**

Collection charges are recognized when such amounts are legally enforceable.

**12.4 Interest on outstanding debtors**

Interest on outstanding debtors is recognized on a time proportionate basis.

**12.5 Fines**

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts and paid over to the Municipality. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summons is issued.

**12.6 Services provided on a prepayment basis**

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is accrued when received.



**MBOMBELA LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**12.7 Interest earned on investments**

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis.

**12.8 Income for agency services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

**12.9 Revenue and donations from public contributions**

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised (Creditors: Unutilized Grants)

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment meet the PPE definition.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment meet the PPE definition.

**12.10 Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- \* The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- \* The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- \* The amount of revenue can be measured reliably.
- \* It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality
- \* The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**12.11 Government Grants**

Government Grants are recognised as revenue when all conditions associated with the grant have been met. Where grants have been received but the Municipality has not met the condition, a liability is raised.

**12.12 Recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**13 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

**13.1 PROVISION FOR BAD DEBT**

An annual contribution is made towards a working capital provision for non - recoverable rates and service fees.

The balance of the provision of bad debt is reviewed at balance sheet date and adjusted to be equal to all debt outstanding for more than 120 days.

When an under recovery occurs during the year an additional contribution must be made from the Unappropriated Surplus at year - end.

**14 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

<p align="center"><b>MBOMBELA LOCAL MUNICIPALITY</b>  <b>ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS</b>  <b>FOR THE YEAR ENDED 30 JUNE 2007</b></p>
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**15 SURPLUSES AND DEFICITS**

Surpluses and deficits arising from the operations of Electricity, Water and Sewerage Services are carried over to the Rates and General Services.

**16 CONSUMER DEPOSITS**

All consumers are required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refundable once the service is terminated. No interest is paid on deposits.

**17 TRADE CREDITORS**

Trade creditors are stated at their nominal value.

**18 VALUE ADDED TAX**

The Council accounts for Value Added Tax on the cash basis.

**19 ACCOUNTS RECEIVABLE**

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

**20 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**21 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**22 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**23 FOREIGN CURRENCIES**

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

**MBOMBELA LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**24 COMPARATIVE INFORMATION**

**24.1 Current year comparatives:**

Budgeted amounts have been included in the annual financial statements for the current financial year only.

**24.2 Prior year comparatives:**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

**25 INVESTMENT PROPERTIES**

Investment properties, which are properties held to earn rental revenue or for capital appreciation, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 30 years.

**26 BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

**27 EVENTS AFTER BALANCE SHEET DATE**

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements

**28 ROUNDING**

These amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand

**MBOMBELA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007**

	Note	2007	2006
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>960,222,861</b>	<b>663,110,091</b>
Capital replacement reserve	1	88,718,310	94,096,379
Capitalisation reserve	2	214,425,729	177,924,840
Government grant reserve	3	503,393,465	245,371,263
Self-insurance reserve	4	7,342,815	5,359,909
Accumulated Surplus/(Deficit)		146,342,542	140,357,700
<b>Non-current liabilities</b>		<b>76,455,098</b>	<b>86,028,369</b>
Trust Funds	5	-	-
Long-term liabilities	6	76,455,098	86,028,369
<b>Current liabilities</b>		<b>256,009,055</b>	<b>172,044,342</b>
Consumer deposits	7	13,973,389	13,060,962
Provisions	8	12,877,171	11,515,317
Creditors	9	121,983,740	105,217,488
Unspent conditional grants and receipts	10	97,598,486	28,067,774
Current portion of long-term liabilities	6	9,576,269	14,182,801
<b>Total Net Assets and Liabilities</b>		<b>1,292,687,014</b>	<b>921,182,802</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>930,589,737</b>	<b>621,542,345</b>
Property, plant and equipment	12	909,054,908	603,090,670
Investments	13	15,143,961	13,017,437
Long-term receivables	14	6,390,868	5,434,238
<b>Current assets</b>		<b>362,097,277</b>	<b>299,639,457</b>
Inventory	15	10,949,497	7,473,552
Consumer debtors	16	42,409,990	43,727,264
Other debtors	17	34,800,713	24,432,926
Current portion of long-term debtors	14	-	4,728,591
VAT	11	22,580,148	1,660,115
Call investment deposits	13	133,843,009	175,689,590
Bank balances and cash	18	117,513,920	41,927,419
<b>Total Assets</b>		<b>1,292,687,014</b>	<b>921,181,802</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2007**

		<b>ACTUAL</b>	
	<b>NOTE</b>	<b>2007</b>	<b>2006</b>
		<b>R</b>	<b>R</b>
<b>REVENUE</b>			
Property Rates	19	128,097,290	116,926,600
Property Rates - Penalties Imposed and Collection Charges		1,069,790	593,597
Service Charges	20	198,298,365	187,989,056
Rental of Facilities and Equipment		1,838,661	2,914,381
Interest Earned - External Investments		21,330,963	15,063,240
Interest Earned - Outstanding Debtors		15,929,910	13,585,560
Fines		4,878,659	13,514,770
Licences and Permits		1,099,870	957,885
Income for Agency Services		41,538,124	37,124,039
Government Grants and Subsidies	21	128,666,723	102,803,211
Capital Grants and Subsidies	21	266,067,967	54,035,671
Other Income		45,971,469	54,970,382
Gains on Disposal of Property, Plant and Equipment		601,043	12,545,695
<b>Total Revenue</b>		<b>855,388,834</b>	<b>613,024,087</b>
<b>EXPENDITURE</b>			
Employee Related Costs	22	176,301,175	152,553,543
Remuneration of Councillors	23	12,217,409	10,214,720
Bad Debts	24	37,657,344	5,178,213
Depreciation		29,253,589	26,023,503
Repairs and Maintenance		57,684,962	53,441,640
Interest Paid	25	12,649,059	15,185,061
Bulk Purchases	26	99,056,576	91,597,767
Contracted Services		46,333,510	35,850,695
General Expenses		101,352,462	88,615,508
Departmental Charges		126,818,104	114,794,648
Loss on Disposal of Property, Plant and Equipment		75,537	191,520
Contributions to / (transfers from) Provisions		(6,958,222)	273,823
<b>Gross Expenditure</b>		<b>692,441,505</b>	<b>593,920,641</b>
<b>Less : Amounts Charged Out</b>		<b>(127,293,750)</b>	<b>(115,241,258)</b>
<b>Total Expenditure Before Transfers</b>		<b>565,147,755</b>	<b>478,679,383</b>
Transfer Utilized Capital Projects		266,067,967	54,035,671
Transfer to CRR / Plus Nelpark Flats		28,000,000	25,581,572
Transfer to Land & property Development Fund		-	118,973
Transfer to Leave Reserve		3,103,276	852,965
Transfer to Surplus Operating Income		3,210,217	2,136,660
Transfer to Operating Expenditure		-	36,470
Transfer from CRR		(28,000,000)	-
Transfer from NDR Operating Expenditure		(1,199,044)	-
Transfer from Accumulated Surplus		(335,692)	-
<b>Nett Expenditure</b>		<b>835,994,479</b>	<b>561,441,694</b>
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>19,394,355</b>	<b>51,582,393</b>
<i>Refer to Appendix E(1) for the comparison with the approved budget</i>			

**MBOMBELA LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>Capital Replacement Reserve R</b>	<b>Grant Reserve R</b>	<b>Capitalisation Reserve R</b>	<b>Self Insurance Reserve R</b>	<b>Accumulated Surplus / (Deficit) R</b>	<b>Total R</b>
<b>2006</b>						
Balance at 1 July 2006	74,489,531	199,289,768	185,096,167	3,639,032	72,048,695	534,563,193
Implementation of GAMAP	-					-
Restated Balance	<b>74,489,531</b>	<b>199,289,768</b>	<b>185,096,167</b>	<b>3,639,032</b>	<b>72,048,695</b>	<b>534,563,193</b>
Net Surplus for the Year					80,017,964	80,017,964
Adjustments Prevoius Years					(6,670,390)	(6,670,390)
Overstated of Provision for Bad Debts					25,600,100	25,600,100
Transfer to CRR	25,570,002					25,570,002
Other Income / Expenditure	7,061,152					7,061,152
PPE Purchase	(13,024,306)				13,024,306	-
Capital Grants Used to Purchase PPE		54,035,671			(54,035,671)	-
Expenditure				1,720,877		1,720,877
Offsetting of Depreciation		(7,954,177)	(7,171,327)		10,372,694	(4,752,810)
<b>Balance at 30 June 2006</b>	<b>94,096,379</b>	<b>245,371,262</b>	<b>177,924,840</b>	<b>5,359,909</b>	<b>140,357,698</b>	<b>663,110,088</b>
<b>2007</b>						
Restated Balance	<b>94,096,379</b>	<b>245,371,262</b>	<b>177,924,840</b>	<b>5,359,909</b>	<b>140,357,698</b>	<b>663,110,088</b>
Net Surplus for the Year					19,394,355	19,394,355
Adjustments Prevoius Years					(11,624)	(11,624)
Transfer to CRR	(43,057,233)					(43,057,233)
Other Income / Expenditure	9,696,648		43,057,235	4,811,545		57,565,428
PPE Purchase	28,000,000				(28,000,000)	-
Capital Grants Used to Purchase PPE		266,067,966				266,067,966
Expenditure	(17,484)			(2,828,639)		(2,846,123)
Offsetting of Depreciation		(8,045,765)	(6,556,346)		14,602,111	-
<b>Balance at 30 July 2007</b>	<b>88,718,310</b>	<b>503,393,463</b>	<b>214,425,729</b>	<b>7,342,815</b>	<b>146,342,540</b>	<b>960,222,857</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	NOTE	2007 R	2006 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Ratepayers, Government and Other		3,427,545,647	1,729,158,554
Cash Paid to Suppliers and Employees		<u>3,015,651,807</u>	<u>1,579,832,044</u>
Cash Generated from Operations	27	411,893,840	149,326,510
Interest Received		21,330,963	15,063,240
Interest Paid	25	<u>(12,649,059)</u>	<u>(15,185,061)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b><u>420,575,744</u></b>	<b><u>179,574,811</u></b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(335,049,938)	(94,267,905)
Proceeds on Disposal of Fixed Assets		167,889	163,174
(Increase) / Decrease in Non-Current Receivables		3,771,961	945,433
(Increase) / Decrease in Investments		<u>39,720,057</u>	<u>(66,974,072)</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b><u>(291,390,031)</u></b>	<b><u>(160,133,370)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New Loans Raised / (Repaid)		(14,178,803)	(11,165,011)
Increase in Consumer Deposits		<u>912,427</u>	<u>866,979</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b><u>(13,266,376)</u></b>	<b><u>(10,298,032)</u></b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	28	<b><u>75,586,501</u></b>	<b><u>(9,530,433)</u></b>
Cash and Cash Equivalents at the Beginning of the Year		41,927,419	51,457,852
Cash and Cash Equivalents at the End of the Year		117,513,920	41,927,419

**MBOMBELA LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>1 CAPITAL REPLACEMENT RESERVE</b>	88,718,310	94,096,379
<b>Capital Replacement Reserve</b>	53,622,754	60,686,442
Balance at beginning of the year	60,686,442	48,140,746
Contributions	35,993,545	25,570,002
Income	-	-
Property, plant & equipment	(43,057,233)	(13,024,306)
Transfers in respect of GAMAP	-	-
<b>Land Trust Fund</b>	4,351,467	4,351,467
Balance at beginning of the year	4,351,467	4,351,467
Contributions	-	-
Income	-	-
Property, plant & equipment	-	-
Transfers in respect of GAMAP	-	-
<b>Land &amp; Property Development Account</b>	28,902,359	27,216,740
Balance at beginning of the year	27,216,740	20,155,588
Contributions	1,703,103	7,870,247
Income	-	-
Expenditure	(17,484)	(809,095)
Transfers in respect of GAMAP	-	-
<b>Housing Trust Fund</b>	1,841,730	1,841,730
Balance at beginning of the year	1,841,730	1,841,730
Contributions	-	-
Income	-	-
Expenditure	-	-
Transfers in respect of GAMAP	-	-
<b>2 CAPITALISATION RESERVE</b>	214,425,729	177,924,840
Balance at beginning of the year	177,924,840	185,096,167
Contributions	43,057,235	-
Property, plant & equipment purchased	-	-
Transfer to Unutilised Grants Receipts	-	-
Offsetting of depreciation	(6,556,346)	(7,171,327)
Disposal	-	-
<b>3 GRANT RESERVE, DONATIONS AND PUBLIC CONTRIBUTIONS</b>	503,393,465	245,371,263
Balance at beginning of the year	245,371,263	199,289,768
Donated/contributed PPE	266,067,967	54,035,672
Offsetting of depreciation	(8,045,765)	(7,954,177)
Capital grants used for PPE	-	-



**MBOMBELA LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>4 SELF-INSURANCE RESERVES</b>	7,342,815	5,359,909
<b>Insurance Fund General</b>	4,411,449	2,675,199
Balance at beginning of the year	2,675,199	990,160
Contributions received	4,400,528	4,297,528
Other Income	-	-
Expenditure	(2,664,278)	(2,612,489)
<b>Insurance Fund Refuse</b>	198,910	198,910
Balance at beginning of the year	198,910	198,910
Contributions received	-	-
Other Income	-	-
Expenditure	-	-
<b>Insurance Fund Roads &amp; Stormwater</b>	1,070,849	990,855
Balance at beginning of the year	990,855	965,005
Contributions received	82,614	25,850
Other Income	-	-
Expenditure	(2,620)	-
<b>Insurance Fund Sewerage</b>	231,562	68,518
Balance at beginning of the year	68,518	66,103
Contributions received	168,044	2,415
Other Income	-	-
Expenditure	(5,000)	-
<b>Insurance Fund Water</b>	-	(150,239)
Balance at beginning of the year	(150,239)	(168,549)
Contributions received	150,239	18,310
Other Income	-	-
Expenditure	-	-
<b>Insurance Fund Electricity</b>	650,389	795,003
Balance at beginning of the year	795,003	787,591
Contributions received	10,120	7,412
Other Income	-	-
Expenditure	(154,734)	-
<b>Bursary Loans Fund</b>	780,439	781,663
Balance at beginning of the year	781,663	799,812
Contributions received	-	-
Other Income	-	-
Expenditure	(1,224)	(18,149)
<b>Workmans Compensation Funds</b>	(783)	-
Balance at beginning of the year	-	-
Contributions received	-	-
Other Income	-	-
Expenditure	(783)	-

**Note:**

**(i) Insurance Fund**

The Insurance Fund is utilized for non-claimable losses on assets as well as for motor vehicle claims until the aggregate amount is reached.

Insurance premiums are charged out to the respective services and directorates in accordance to the insured value of assets.

**(ii) Bursary Loans Fund**

The Bursary Loan Fund is used to assist internal and external candidates with their studies.

Contracts are entered into on an individual basis and are written off when the qualification is obtained failing which loans must be repaid at an interest rate equal to the prime rate of the Councils banker.

**MBOMBELA LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>5 TRUST FUNDS</b>	-	-
<b>Norwegian Delegation Project</b>	-	-
Balance at beginning of the year	-	-
Contributions received	-	-
Other Income	-	-
Expenditure	-	-
<b>6 LONG TERM LIABILITIES</b>	<b>86,031,367</b>	<b>100,211,170</b>
Local Registered Stock Loans	11,900,000	11,900,000
Annuity Loans:	64,555,098	74,128,369
ABSA	8,496,630	9,861,772
Development Bank of SA	19,186,527	20,220,298
INCA	36,102,802	43,277,160
Nedcor Bank Limited	-	-
Delta	769,139	769,139
<b>Plus:</b>		
Current portion transferred to current liabilities	<b>9,576,269</b>	<b>14,182,801</b>
Local Registered Stock	3,000	4,000
Annuity Loans:	<b>9,573,269</b>	<b>14,178,801</b>
ABSA	1,365,142	1,201,370
Development Bank of SA	1,033,770	895,348
INCA	7,174,357	6,246,676
Nedcor Bank Limited	-	5,835,407

*Refer to Appendix A for more detail on long term liabilities.*

*R15 143 961 (2006 : R13 017 437) has been invested specially for repayment of long term liabilities.*

*See note 13 for more detail.*

**6.1 Local Registered Stock**

Local registered stock bears interest at rates which vary between **11.60%** and **17.20%** per annum and are repayable over periods between one (1) and four (4) years.

**6.2 Annuity Loans**

Annuity loans interest varies between **10.50%** and **23.79%** per annum and will be fully redeemed after thirteen (13) years.

In terms of a Sinking Fund Loan agreement concluded between Mbombela Local Municipality and Nedcor the loans from the DBSA and Nedcor will be redeemed by means of a Sinking Fund raised by the proceedings from the sale of stands in Stonehenge extension 1. As security a bond was required in favour of Nedcor over the said township.

**MBOMBELA LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>7 CONSUMER DEPOSITS</b>		
Electricity	12,189,714	11,500,258
Water	553,273	434,464
Water - GNUC	1,230,402	1,126,240
<b>Total Consumer Deposits</b>	<b><u>13,973,389</u></b>	<b><u>13,060,962</u></b>

Guarantees held in lieu of Electricity and Water Deposits	<b><u>1,984,509</u></b>	<b><u>2,006,613</u></b>
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*No interest is paid on deposits.*

**8 PROVISIONS**

**Staff leave**

Balance at beginning of the year	11,515,317	10,283,630
Contributions received	3,502,798	1,231,687
Expenditure	-2,140,944	0
Balance at end of the year	<b><u>12,877,171</u></b>	<b><u>11,515,317</u></b>

**9 CREDITORS**

Trade Creditors	33,461,593	34,458,718
Civil Contracts	11,266,846	6,698,128
Unclaimed Creditors	1,425,262	623,976
Audit Fees	814,066	(306,358)
Motor Licence Fees	-	-
Retension Money	1,332,638	1,332,638
Amounts received in advance:		
Consumers	19,288,147	15,989,304
Sundry Debtors	-	-
SPACE program	37,624	48,604
GNUC Service contributions - Water & Sewerage	11,287,453	7,866,344
GNUC Sewerage plan fees	148,500	140,771
Service Contributions	8,688,728	6,777,766
Deposits Other	1,006,010	1,060,289
Suspence Accounts	32,172,782	28,881,237
Concession Monitoring	369,777	1,211,832
Grant Funding - Water Service	77,694	74,705
Other Creditors	606,620	359,534
	<b><u>121,983,740</u></b>	<b><u>105,217,488</u></b>

*Refer to Note 39 Exemptions*

**10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

CMIP/MIG	8,436,152	11,184,103
DWAF	572,569	1,660,910
LED	16,929	90,423
DME	1,215,130	(1,131,170)
EDM	894,200	915,284
Provincial	14,066,332	15,311,623
Department Sport	72,373,047	1,939
Taxi Disaster Fund	24,127	34,662
Total Conditional Grants and Receipts	<b><u>97,598,486</u></b>	<b><u>28,067,774</u></b>

*Refer to Note 39 Exemptions*

*See Note 21 for reconciliations of grants from National/Provincial Government.*

**11 VAT**

	(22,580,148)	(1,660,115)
VAT payable (receivable)	<b><u>(22,580,148)</u></b>	<b><u>(1,660,115)</u></b>

VAT is payable on the receipts basis.

Only once payment is received from debtors is VAT paid over to SARS.

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**12 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2007**

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
<b>Carrying values at 1 July 2006</b>		<b>507,946,944</b>	<b>23,504,565</b>	<b>71,639,161</b>	<b>603,090,670</b>
<i>Cost</i>		725,388,000	27,924,103	153,694,474	907,006,577
<i>Correction of error</i>					-
<i>Accumulated depreciation</i>		(217,441,056)	(4,419,538)	(82,055,313)	(303,915,907)
Acquisitions		124,595,702	188,475,657	21,978,579	335,049,938
Capital under Construction					-
Depreciation		(24,643,969)	(668,675)	(3,940,945)	(29,253,589)
Carrying value of disposals				167,889	167,889
<i>Cost</i>				-	-
<i>Accumulated depreciation</i>					-
Impairment losses					-
Other movements					-
<b>Carrying values at 30 June 2007</b>		<b>607,898,677</b>	<b>211,311,547</b>	<b>89,844,684</b>	<b>909,054,908</b>
<i>Cost</i>		849,983,702	216,399,760	175,673,053	1,242,056,515
<i>Accumulated depreciation</i>		(242,085,025)	(5,088,213)	(85,828,369)	(333,001,607)

**PROPERTY, PLANT AND EQUIPMENT**

**30 June 2006**

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
<b>Carrying values at 1 July 2005</b>	-	<b>453,066,179</b>	<b>17,318,968</b>	<b>69,213,932</b>	<b>539,599,079</b>
<i>Cost</i>	-	646,497,577	21,145,030	145,096,065	812,738,672
<i>Correction of error</i>	-				-
<i>Accumulated depreciation</i>	-	(193,431,398)	(3,826,062)	(75,882,133)	(273,139,593)
Acquisitions	-	78,890,423	6,779,073	8,598,409	94,267,905
Capital under Construction	-	-	-	-	-
Depreciation	-	(24,009,658)	(593,476)	(6,173,180)	(30,776,314)
Carrying value of disposals	-			-	-
<i>Cost</i>	-			163,174	163,174
<i>Accumulated depreciation</i>	-			(163,174)	(163,174)
Impairment losses	-				-
Other movements	-				-
<b>Carrying values at 30 June 2006</b>	-	<b>507,946,944</b>	<b>23,504,565</b>	<b>71,639,161</b>	<b>603,090,670</b>
<i>Cost</i>	-	725,388,000	27,924,103	153,694,474	907,006,577
<i>Accumulated depreciation</i>	-	(217,441,056)	(4,419,538)	(82,055,313)	(303,915,907)

*Refer to Appendices B and C for more detail*

*Refer to Note 39 for Exemptions*

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
<b>13 INVESTMENTS</b>	<b>148,986,970</b>	<b>188,707,027</b>
<b>Short Term Deposits</b>	<b>133,843,009</b>	<b>175,689,590</b>
ABSA	133,843,009	175,689,590
<b>Long Term Deposits</b>	<b>15,143,961</b>	<b>13,017,437</b>
FBC Fidelity - Sinking Fund	-	40,484
Nedbank	8,299,631	7,015,949
INCA - White River	5,189,457	4,522,543
INCA - White River	1,654,873	1,438,461
 <b>The short term deposits allocated as follows:</b>	 <b>199,193,967</b>	 <b>175,775,840</b>
Capital Replacement Reserve	53,622,754	60,686,442
Housing Trust Fund	1,841,730	1,841,730
Land Trust Fund	4,351,467	4,351,467
Unutilised Capital Receipts (Grants)	97,598,486	28,067,774
Leave Reserve	12,877,171	11,515,317
Land & Property Development Account	28,902,359	27,216,740
Operating Account	-	42,096,370
Surplus funds are invested in terms of Councils investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating for sole investment purposes.		
The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.		
No investments have been written off during the year.		
The long term investments are invested to redeem external loans.		
<i>Refer to Appendix A for more detail on external loans.</i>		
 <b>14 LONG-TERM RECEIVABLES</b>	 <b>6,390,868</b>	 <b>5,434,238</b>
Motor Car Loans	-	145,938
Bursary Loans	616,914	628,495
Urban Loans	5,319,923	8,934,364
Endowment Loans	175,776	175,777
Sundry Loans	278,255	278,255
Less: Current Portion	6,390,868	10,162,829
Less: Provision for bad debt	6,390,868	(4,728,591)
	-	5,434,238
	-	-
 <b>Motor Car Loans</b>		
Senior personnel were entitled to car loans which were repayable over a maximum period of 5 years.		
In terms of the MFMA no new loans are granted and the existing loans will be repaid by the year 2007.		
 <b>Sale of Erven Loans</b>		
Loans were given at a rate of 15% interest per annum repayable over 5 years to encourage development through the sale of vacant erven.		
In terms of the MFMA no new loans are granted.		
 <b>15 INVENTORY</b>	 <b>10,949,497</b>	 <b>7,473,552</b>
Consumable Stock	11,471,517	7,677,115
Work in Progress	(522,020)	(203,563)
<i>Refer to Note 39 for Exemptions</i>		
 <b>16 CONSUMERS AND OTHER DEBTORS</b>		
<b>(A) Consumers Debtors</b>		
	<b>Gross Balance R</b>	<b>Provision for Bad debts R</b>
<b>As at 30 June 2007</b>		<b>Net Balance R</b>
<b>Service debtors</b>		
Rates	46,738,671	29,734,103
Electricity	16,329,253	3,679,234
Water	22,033,205	18,557,101
Sewerage	6,986,227	5,397,907
Refuse	32,165,402	27,184,219
Interest on Arrears	38,343,019	36,479,962
Indigents and Abeyance	5,468,656	5,455,890
Consumer (Installments)	10,206,256	9,372,283
<b>Total</b>	<b>178,270,689</b>	<b>135,860,699</b>
<i>Refer to Note 39 for Exemptions</i>		

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

As at 30 June 2006	Gross Balance R	Provision for Bad debts R	Net Balance R
<b>Service debtors</b>			
Rates	39,222,826	25,116,846	14,105,980
Electricity	14,840,402	3,997,743	10,842,659
Water	21,442,724	10,317,318	11,125,406
Sewerage	6,598,836	6,133,164	465,672
Refuse	28,346,851	27,108,363	1,238,488
Interest on Arrears	28,488,543	24,046,084	4,442,459
Indigents and Abeyance	61,088,133	61,088,133	-
Consumer (Instalments)	11,354,003	9,847,403	1,506,600
<b>Total</b>	<b>211,382,318</b>	<b>167,655,054</b>	<b>43,727,264</b>
		<b>2007 R</b>	<b>2006 R</b>
<b><u>Rates: Ageing</u></b>			
Current (0 – 30 days)		9,573,202	7,887,762
31 - 60 Days		3,143,667	3,460,430
61 - 90 Days		2,419,268	1,494,712
+ 90 Days		31,602,534	26,379,922
<b>Total</b>		<b>46,738,671</b>	<b>39,222,826</b>
<b><u>Electricity: Ageing</u></b>			
Current (0 – 30 days)		10,167,224	9,662,733
31 - 60 Days		1,819,048	1,041,620
61 - 90 Days		418,159	375,739
+ 90 Days		3,924,823	3,760,310
<b>Total</b>		<b>16,329,253</b>	<b>14,840,402</b>
<b><u>Water: Ageing</u></b>			
Current (0 – 30 days)		1,243,636	9,672,978
31 - 60 Days		794,039	1,902,755
61 - 90 Days		562,621	412,837
+ 90 Days		19,432,908	9,454,154
<b>Total</b>		<b>22,033,205</b>	<b>21,442,724</b>
<b><u>Sewerage: Ageing</u></b>			
Current (0 – 30 days)		730,576	646,924
31 - 60 Days		348,617	185,870
61 - 90 Days		214,665	188,966
+ 90 Days		5,692,369	5,577,076
<b>Total</b>		<b>6,986,227</b>	<b>6,598,836</b>
<b><u>Refuse: Ageing</u></b>			
Current (0 – 30 days)		2,348,361	2,103,859
31 - 60 Days		983,540	882,173
61 - 90 Days		849,391	791,851
+ 90 Days		27,984,109	24,568,968
<b>Total</b>		<b>32,165,402</b>	<b>28,346,851</b>
<b><u>Interest on Arrears: Ageing</u></b>			
Current (0 – 30 days)		1,479,989	1,274,737
31 - 60 Days		1,416,302	1,090,108
61 - 90 Days		1,361,724	1,028,195
+ 90 Days		34,085,003	25,095,503
<b>Total</b>		<b>38,343,019</b>	<b>28,488,543</b>
<b><u>Indigents and Abeyance: Ageing</u></b>			
Current (0 – 30 days)		0	-
31 - 60 Days		0	-
61 - 90 Days		0	-
+ 90 Days		5,468,601	61,088,133
<b>Total</b>		<b>5,468,601</b>	<b>61,088,133</b>
<b><u>Consumer (Instalments): Ageing</u></b>			
Current (0 – 30 days)		692,872	1,416,768
31 - 60 Days		44,975	74,091
61 - 90 Days		46,783	66,180
+ 90 Days		9,421,626	9,796,964
<b>Total</b>		<b>10,206,256</b>	<b>11,354,003</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**(B) Summary of Consumers and Other Debtors by Customer Classification 30 June 2007**

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Gov</u>
Current (0 – 30 days)			
31 - 60 Days			
61 - 90 Days			
+ 90 Days			
<b>Total debtors by customer classification</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Summary of Consumers and Other Debtors by Customer Classification 30 June 2006**

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Gov</u>
Current (0 – 30 days)	23,142,881	11,583,873	271,157
31 - 60 Days	23,209,666	389,065	1,086
61 - 90 Days	7,754,040	2,216,603	184,444
+ 90 Days	92,392,822	18,226,707	2,492,847
<b>Total debtors by customer classification</b>	<b>146,499,409</b>	<b>32,416,248</b>	<b>2,949,534</b>

	<b>2007 R</b>	<b>2006 R</b>
<b>17 OTHER DEBTORS</b>	<b>34,800,713</b>	<b>24,432,926</b>
Fire Brigade	126,790	104,960
Sundry Debtors	12,746,372	28,563,438
Hire of Grounds	1,242,228	1,152,791
Airport	125,933	125,933
Stand Instalments	3,548,270	3,758,831
Sport Clubs	162,698	139,562
Bursary Loans (Instalments)	250,177	215,315
Housing Debtors	926,571	1,010,247
Service Contributions	944,672	1,166,094
Capital Projects	-	-
Year end Adjustments	(82,295)	(19,882,294)
Suspense Accounts	21,801,572	16,163,133
	41,792,988	32,518,010
<b>Less: Provision for bad debt</b>	<b>(6,992,275)</b>	<b>(8,085,084)</b>
<b>Debt written off for the year</b>	<b>50,913</b>	<b>111,871</b>
<i>Refer to Note 39 for Exemptions</i>		

**18 BANK, CASH AND OVERDRAFT BALANCES**

The Municipality has the following bank accounts: -

**Cheque Account (Primary Bank Account)**

ABSA Bank Limited - Nelspruit Branch  
Account Number - 40-5321-5785

Cash book balance at beginning of year	30,840,469	43,122,668
Cash book balance at end of year	<b>29,007,836</b>	<b>30,840,469</b>
Bank statement balance at beginning of year	44,228,319	51,351,718
Bank statement balance at end of year	<b>53,789,839</b>	<b>44,228,319</b>

**Cheque Account (Nelspruit)**

ABSA Bank Limited - Nelspruit Branch  
Account Number - 10-7000-0209

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	4,469	-
Bank statement balance at end of year	<b>4,955</b>	<b>4,469</b>

**Cheque Account (Masovi PHP Housing Project)**

ABSA Bank Limited - Nelspruit Branch  
Account Number - 40-5414-9088

Cash book balance at beginning of year	1,464,216	1,419,151
Cash book balance at end of year	<b>2,297,364</b>	<b>1,464,216</b>
Bank statement balance at beginning of year	1,465,529	1,639,761
Bank statement balance at end of year	<b>1,764,580</b>	<b>1,465,529</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
<b><u>Cheque Account (Nelspruit Capital)</u></b>		
ABSA Bank Limited - Nelspruit Branch Account Number - 10-7016-6603		
Cash book balance at beginning of year	353,279	339,176
Cash book balance at end of year	<u>372,581</u>	<u>353,279</u>
Bank statement balance at beginning of year	353,279	339,176
Bank statement balance at end of year	<u>363,949</u>	<u>353,279</u>
<b><u>Cheque Account (Matsulu PHP Housing Project)</u></b>		
ABSA Bank Limited - Nelspruit Branch Account Number - 40-5414-9266		
Cash book balance at beginning of year	-	348,981
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>-</u>	<u>-</u>
<b><u>Call Account (NTLC/GNUC Water Service Deposit Account)</u></b>		
ABSA Bank Limited - Nelspruit Branch Account Number - 90-6983-8617		
Cash book balance at beginning of year	1,184,418	1,156,074
Cash book balance at end of year	<u>1,230,402</u>	<u>1,184,418</u>
Bank statement balance at beginning of year	1,184,418	1,156,074
Bank statement balance at end of year	<u>1,172,224</u>	<u>1,184,418</u>
<b><u>Call Account (NTLC Grant Funding Water Service)</u></b>		
ABSA Bank Limited - Nelspruit Branch Account Number - 90-6983-9003		
Cash book balance at beginning of year	74,705	72,917
Cash book balance at end of year	<u>77,693</u>	<u>74,705</u>
Bank statement balance at beginning of year	74,705	72,917
Bank statement balance at end of year	<u>77,693</u>	<u>74,705</u>
<b><u>Call Account (NTLC/GNUC Service Contribution Account)</u></b>		
ABSA Bank Limited - Nelspruit Branch Account Number - 90-7568-1173		
Cash book balance at beginning of year	7,866,344	4,888,018
Cash book balance at end of year	<u>12,498,150</u>	<u>7,866,344</u>
Bank statement balance at beginning of year	5,661,853	4,757,070
Bank statement balance at end of year	<u>11,857,871</u>	<u>5,661,853</u>
<b><u>Call Account (Mbombela Taxi Disaster Fund)</u></b>		
ABSA Bank Limited - Nelspruit Branch Account Number - 91-2727-3547		
Cash book balance at beginning of year	34,662	-
Cash book balance at end of year	<u>24,128</u>	<u>34,662</u>
Bank statement balance at beginning of year	34,662	34,146
Bank statement balance at end of year	<u>24,128</u>	<u>34,662</u>
<b><u>Call Account (2010 Soccer World Cup)</u></b>		
ABSA Bank Limited - Nelspruit Branch Account Number - 40-6774-2380		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>71,871,561</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>71,871,561</u>	<u>-</u>
<b>TOTAL BALANCE</b>	<u>117,379,715</u>	<u>41,818,093</u>



**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**CASH ADVANCES**

Petty Cash	26,285	25,285
Deposit: Post Office	79,085	79,085
Deposit: Office Rent (Hazyview)	3,000	3,000
Deposit: Eskom	23,879	-
Deposit: Money Box (Fidelity)	1,956	1,956
	<b>134,205</b>	<b>109,326</b>

*Disclosure in terms of the MFMA, 2003, Section 125(2)(a)*

**19 PROPERTY RATES**

<b>Actual</b>	<b>2007</b>	<b>2006</b>
Residential	42,497,903	38,044,240
Commercial	67,884,404	62,122,443
Government	15,111,261	14,488,376
Agricultural / Farms	2,603,723	2,271,541
<b>Total Assessment Rates</b>	<b>128,097,291</b>	<b>116,926,600</b>

*Refer to Note 39 for Exemptions*

**Valuations**

	<b>Jul-07</b>	<b>Jul-06</b>
Residential	767,013,160	703,196,985
Commercial	473,886,600	462,445,164
Government	59,639,500	60,209,174
Agricultural	83,678,500	0
Farms	500,865,000	84,646,150
Exempted	410,777,080	461,762,149
<b>Total Property Valuations</b>	<b>2,295,859,840</b>	<b>1,772,259,622</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 1999. Interim valuations are processed on a daily basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.3796c/R is applied to property valuations to determine assessment rates. A rebate on the general rate of 20% is granted to state property. Rates are levied on a monthly basis. Interest at 15.50% per annum is levied on outstanding amounts.

**20 SERVICE CHARGES**

Sale of electricity	140,972,062	135,245,911
Sale of water	15,574,956	14,721,967
Refuse removal	31,324,165	29,392,954
Sewerage and sanitation charges	10,427,181	8,628,222
<b>Total Service Charges</b>	<b>198,298,364</b>	<b>187,989,054</b>

*Refer to Note 39 for Exemptions*

**21 GOVERNMENT GRANTS AND SUBSIDIES**

**Government Subsidies & Grant**

	<b>128,666,723</b>	<b>102,803,210</b>
Equitable share	102,360,951	90,714,728
Financial Management	500,000	2,500,000
Municipal Support Programme	-	734,000
Municipal Infrastructure	-	60,000
Seta Grant	637,667	451,026
DWAF	23,500,653	-
EDM Grant	-	55,000
Local Economic Development Grant	-	86,290
Health	1,050,000	-
Space Norwegian	142,849	-
Department Water Affairs (Salaries)	-	7,165,963
Department of Housing	474,603	1,036,203

**Capital Subsidies & Grants**

	<b>266,067,968</b>	<b>54,035,671</b>
MIG Grant	77,174,505	43,713,924
DWAF Grant	1,088,341	8,365,375
Provincial LED Projects	-	-
DME	2,028,700	1,674,316
EMD	-	-
Sport	-	282,056
2010 Soccer World Cup	185,776,422	-
Provincial Grants	-	-
<b>Total Government Grant and Subsidies</b>	<b>394,734,691</b>	<b>156,838,881</b>

*Refer to Note 39 for Exemptions*

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**MIG**

Balance unspent at beginning of year	11,184,104	4,862,019
Current year receipts	74,070,972	50,169,617
Conditions met - transferred to revenue	(77,174,505)	(43,713,924)
Transfer to	-	(7,919,456)
Transfer From	355,581	7,785,848
Conditions still to be met - transferred to liabilities (see note 10)	<u>8,436,152</u>	<u>11,184,104</u>

This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B). An amount of R8 489 000 was subsequently withheld by National Treasury due to persistent underspending. An amount of R17 437 020 for grants receivable was not raised as a debtor due to a history of non-performance

	<b>2007</b> <b>R</b>	<b>2006</b> <b>R</b>
<b>DWAF</b>		
Balance unspent at beginning of year	1,660,910	10,166,020
Current year receipts	-	-
Conditions met - transferred to revenue	(1,088,341)	(8,365,375)
Transfer to	-	(139,735)
Transfer From	-	-
Conditions still to be met - transferred to liabilities (see note 10)	<u>572,569</u>	<u>1,660,910</u>

This grant was used to construct water infrastructure as part of the upgrading of informal settlement areas (included in the water vote in Appendix B). No funds have been withheld.

**LED**

Balance unspent at beginning of year	90,423	207,565
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Transfer to	(73,494)	(203,392)
Transfer From	-	86,250
Conditions still to be met - transferred to liabilities (see note 10)	<u>16,929</u>	<u>90,423</u>

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

**DME**

Balance unspent at beginning of year	(1,131,170)	543,146
Current year receipts	2,560,000	-
Conditions met - transferred to revenue	(2,028,700)	(1,674,316)
Transfer to	-	-
Transfer From	1,815,000	-
Conditions still to be met - transferred to liabilities (see note 10)	<u>1,215,130</u>	<u>(1,131,170)</u>

This grant was used to construct electricity infrastructure as part of the upgrading of informal settlement areas (included in the electricity vote in Appendix B). No funds have been withheld.

**EDM**

Balance unspent at beginning of year	915,284	(2,960,800)
Current year receipts	-	3,821,084
Conditions met - transferred to revenue	-	-
Transfer to	(21,084)	-
Transfer From	-	55,000
Conditions still to be met - transferred to liabilities (see note 10)	<u>894,200</u>	<u>915,284</u>

This grant was used to construct roads and water infrastructure as part of the upgrading of informal settlement areas (included in the roads and water votes in Appendix B). No funds have been withheld.

**SPORT**

Balance unspent at beginning of year	1,940	283,996
Current year receipts	-	-
Conditions met - transferred to revenue	-	(282,056)
Transfer to	-	-
Transfer From	-	-
Conditions still to be met - transferred to liabilities (see note 10)	<u>1,940</u>	<u>1,940</u>

This grant was used to construct Nsikasi sport stadium. (included in Appendix B). No funds have been withheld.

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**Provincial**

Balance unspent at beginning of year	15,311,623	12,832,807
Current year receipts	1,567,148	1,185,026
Conditions met - transferred to revenue	-	-
Transfer to	(2,812,439)	(3,580,753)
Transfer From	-	4,874,543
Conditions still to be met - transferred to liabilities (see note 10)	<u>14,066,332</u>	<u>15,311,623</u>

This grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads, water and sewerage votes in Appendix B). No funds have been withheld.

**2010 SOCCER WORLD CUP**

Balance unspent at beginning of year	-	-
Current year receipts	257,113,692	-
Conditions met - transferred to revenue	(185,776,422)	-
Transfer to	-	-
Transfer From	1,033,836	-
Conditions still to be met - transferred to liabilities (see note 10)	<u>72,371,107</u>	<u>-</u>

This grant was used to construct 2010 Soccer World Cup Stadium.  
(included in Appendix B). No funds have been withheld.

An amount of R1 033 836 for grants receivable was not raised as a debtor due to a history of non-performance .

	2007	2006
<b>22 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	143,466,169	124,333,445
Employee related costs - Social contributions	32,835,006	28,220,098
<b>Total Employee Related Costs</b>	<u>176,301,175</u>	<u>152,553,543</u>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	720,000	569,020
Performance Bonuses	-	-
Car Allowance	100,000	100,000
<b>Total</b>	<u>820,000</u>	<u>669,020</u>
<b>Remuneration of the Deputy Municipal Manager</b>		
Annual Remuneration	605,500	512,986
Performance Bonuses	-	-
Car Allowance	114,500	100,000
<b>Total</b>	<u>720,000</u>	<u>612,986</u>
<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	450,000	225,000
Performance Bonuses	-	-
Car Allowance	150,000	75,000
<b>Total</b>	<u>600,000</u>	<u>300,000</u>
<b>Remuneration of Executive Director - Technical Services</b>		
Annual Remuneration	500,000	-
Performance Bonuses	-	-
Car Allowance	120,000	-
<b>Total</b>	<u>620,000</u>	<u>-</u>
<b>Remuneration of Executive Director - Community Services</b>		
Annual Remuneration	-	457,268
Performance Bonuses	-	-
Car Allowance	-	100,000
<b>Total</b>	<u>-</u>	<u>557,268</u>
<b>Remuneration of Executive Director - Corporate Services</b>		
Annual Remuneration	520,000	456,216
Performance Bonuses	-	-
Car Allowance	100,000	100,000
<b>Total</b>	<u>620,000</u>	<u>556,216</u>

*Disclosure in terms of the MFMA, 2003, Section 124(1)(c.)*

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
<b>23 REMUNERATION OF COUNCILLORS</b>		
<b>Executive Mayor</b>		
Annual Remuneration	283,779	287,088
Housing	-	38,246
Travel Allowance	106,346	71,772
Cell Phone Allowance	13,404	12,000
<b>Total</b>	<b>403,529</b>	<b>409,106</b>
<b>Deputy Executive Mayor</b>		
Annual Remuneration	223,840	229,671
Housing	-	38,246
Travel Allowance	89,861	57,418
Cell Phone Allowance	13,404	10,272
<b>Total</b>	<b>327,105</b>	<b>335,607</b>
<b>Speaker</b>		
Annual Remuneration	223,840	229,671
Housing	-	38,246
Travel Allowance	89,861	57,418
Cell Phone Allowance	13,404	10,272
<b>Total</b>	<b>327,105</b>	<b>335,607</b>
<b>Mayoral Committee Members</b>		
Annual Remuneration	1,223,400	1,076,585
Housing	-	251,138
Travel Allowance	496,496	269,146
Cell Phone Allowance	76,964	35,310
<b>Total</b>	<b>1,796,860</b>	<b>1,632,179</b>
<b>Councillors</b>		
Annual Remuneration	5,319,579	4,637,292
Travel Allowance	2,098,538	1,189,670
Cell Phone Allowance	551,255	324,978
Office Allowance	-	190,018
<b>Total</b>	<b>7,969,372</b>	<b>6,341,958</b>
Councillors' pension contribution	<b>1,161,289</b>	<b>921,155</b>
Councillors' medical contribution	<b>232,148</b>	<b>239,108</b>
<b>Total Councillors' Remuneration</b>	<b>12,217,408</b>	<b>10,214,720</b>

**In-kind Benefits**

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle and driver for official duties.

The Executive Mayor has one full-time bodyguard.

*Disclosure in terms of the MFMA, 2003, Section 124(1)(a)*

**Certification by the Municipal Manager**

I, Jacob Themba Dladla, municipal manager, certify that the remuneration of councillors are in accordance with the Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination of the upper limits of the salaries, allowances and benefits as published in government gazette 27138, dated 21 December 2004

Signed: Municipal Manager

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
<b>24 BAD DEBTS</b>		
Opening balance	175,740,139	170,673,797
Contribution to the bad debt provision	37,657,344	5,178,213
Bad debts written off	(70,544,509)	(111,871)
<b>Closing Balance</b>	<b>142,852,974</b>	<b>175,740,139</b>
<b>25 INTEREST ON EXTERNAL BORROWINGS</b>		
External loans	12,649,059	15,185,061
Finance leases	-	-
Bank overdrafts	-	-
<b>Total Interest on External Borrowings</b>	<b>12,649,059</b>	<b>15,185,061</b>
<b>26 BULK PURCHASES</b>		
Electricity	96,980,639	88,842,173
Water	2,075,938	2,755,594
<b>Total Bulk Purchases</b>	<b>99,056,577</b>	<b>91,597,767</b>
<b>27 CASH GENERATED BY OPERATIONS</b>		
Net surplus for the year	260,987,490	108,744,604
Adjustment for:-		
Non refundable tender deposits	-	-
Motor licence fees	-	-
Consumer Services Adjustments	-	-
Operating Income & Expenditure	-	(6,670,390)
Capitalised of Interest	-	-
GAMAP Transformation Transfers	14,602,111	10,372,694
Transfer to CCR	(28,000,000)	(12,557,266)
Transfer to Leave Reserve	(3,103,276)	(852,965)
Transfer from Bad Debt Provision	-	25,481,128
Transfer to Conditional Grants - Operating Income	-	(2,136,660)
Transfer to NDR Utilised Capital	(266,067,967)	(54,035,671)
Transfer from Conditional Grants - Operating Expenditure	-	(36,470)
Transfer from Trust Funds	-	-
Transfer to Surplus Operating Income	(3,210,217)	-
Transfer from CRR	28,000,000	-
Transfer from NDR Operating Expenditure	465,044	-
Transfer from Accumulated Surplus	335,692	-
Depreciation	29,253,589	30,776,314
Gain on disposal of property, plant and equipment	(601,043)	(12,545,695)
Reserves	291,127,928	60,237,892
Statutory Funds	-	-
Provisions	1,361,854	1,231,687
Investment income	(21,330,963)	(15,063,240)
Interest paid	12,649,059	15,185,061
<b>Operating surplus before working capital changes:</b>	<b>316,469,301</b>	<b>148,131,023</b>
Increase in inventories	(3,475,945)	(1,777,355)
Increase in debtors	1,317,274	(24,079,937)
Increase in other debtors	(10,367,787)	(8,447,552)
Increase in vat	20,920,033	343,120
Increase in conditional grants and receipts	70,264,712	2,272,757
Increase in creditors	16,766,252	32,884,454
<b>Cash generated by operations</b>	<b>411,893,840</b>	<b>149,326,510</b>
<b>28 CASH AND CASH EQUIVALENTS</b>		
Balance at the end of the year	117,513,920	41,927,419
Balance at the beginning of the year	41,927,419	51,457,852
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>75,586,501</b>	<b>(9,530,433)</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
<b>29 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>		
<b>MANAGEMENT ACT</b>		
<b><u>Contributions to SALGA</u></b>		
Opening balance	-	-
Council subscriptions	1,361,837	588,874
Amount paid - current year	1,361,837	588,874
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b><u>Audit fees</u></b>		
Opening balance	306,357	-
Current year audit fee	814,067	777,552
Amount paid - current year	306,357	777,552
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>814,067</u>	<u>-</u>
<b><u>VAT</u></b>		
VAT inputs receivables and VAT outputs receivables are shown in note 11.		
All VAT returns have been submitted by the due date throughout the year.		
<b><u>PAYE</u></b>		
Opening balance	-	-
Current year payroll deductions	19,922,673	17,410,344
Amount paid - current year	19,922,673	17,410,344
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b><u>UIF</u></b>		
Opening balance	-	-
Current year payroll deductions	2,295,015	1,925,622
Amount paid - current year	2,295,015	1,925,622
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b><u>Skill Development Levies</u></b>		
Opening balance	-	-
Current year payroll deductions	1,348,723	1,128,748
Amount paid - current year	1,348,723	1,128,748
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b><u>Group Insurance Deductions</u></b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	2,284,698	1,835,705
Amount paid - current year	2,284,698	1,835,705
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b><u>Pension Fund Deductions</u></b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	33,360,025	28,510,544
Amount paid - current year	33,360,025	28,510,544
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b><u>Medical Aid Deductions</u></b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	12,014,555	10,656,960
Amount paid - current year	12,014,555	10,656,960
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<i>Refer to Note 39 for Exemptions</i>		

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**Councillor's arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

30th June 2007	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
Councillor DP Tau	R 3,573.42	R 325.30	R 3,248.12
Councillor MJ Msibi	R 5,893.81	R 123.17	R 5,770.64

**Directors arrear consumer and other accounts**

The following Director had arrear accounts outstanding for more than 90 days as at: -

30th June 2007	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
DC Mogale	R 367.04		R 367.04

**Councillor's arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

30th June 2006	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
Councillor ZM Boroko	6,556	366	6,190
Councillor HL Lekhuleni	104	3	101
Councillor AB Mashabane	3,517	296	3,222
Councillor NA Mokoena	6,395	621	5,774
Councillor MJ Msibi	4,187	213	3,973
Councillor DP Tau	27,537	1,498	26,039
Councillor ME Mndebele	14,352	351	14,002
	<b>62,647</b>	<b>3,347</b>	<b>59,301</b>

**Directors arrear consumer and other accounts**

The following Director had arrear accounts outstanding for more than 90 days as at: -

30th June 2006	Total	Outstanding More Than 90 Days
MA Phiri	38,137	38,137
	<b>38,137</b>	<b>38,137</b>

**30 UTILIZATION OF LONG TERM LIABILITIES**

**RECONCILIATION**

Long term liabilities (see note 6)	(86,031,367)	(100,210,170)
Used to finance property, plant and equipment at cost	15,143,961	27,207,926
Sub-Total	<b>(70,887,406)</b>	<b>(73,002,244)</b>
Cash set aside for the repayment of long term liabilities (see note 13)	15,143,961	13,017,437
Cash set aside for the acquiring of property, plant & equipment	-	-
Cash invested for the repayment of long term liabilities	<b>15,143,961</b>	<b>13,017,437</b>

**31 IRREGULAR EXPENDITURE DISALLOWED, FRUITLESS & WASTEFUL EXPENDITURE**

<u>Incident</u>	<u>Disciplinary Steps/Criminal Proceedings</u>	<u>Amount</u>
Theft	Employee Resigned / SAPS Found Guilty / Money Recovered from Pension	66,559
Theft	Employee Resigned / SAPS Found Guilty - Suspended Sentence	22,267
Supply and Delivery of Mass Containers, Tender Number CO1/2005		314,988

**32 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

- Approved and contracted for		
Infrastructure	43,949,369	50,107,936
Community	82,143,113	7,741
Other	3,361,984	5,455,552
<b>Total</b>	<b>129,454,466</b>	<b>55,571,229</b>

This expenditure will be financed from:

-External Loans	21,347,863	4,137,114
-Capital Replacement Reserve	8,688,594	7,636,096
-Government Grants	99,418,009	43,798,019
<b>Total</b>	<b>129,454,466</b>	<b>55,571,229</b>

*Refer to Note 39 for Exemptions*

**33 OTHER INCOME**

The following abnormally high revenue accrued:

Water - Nsikazi	-	10,415,454
Buiding Plans Fees	190,672	1,629,439
Electricity Connections Fees	2,318,348	1,827,434
Interest on Current Account	1,337,981	1,314,704
Applications Driving Licenses	-	1,078,226

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**34 GENERAL EXPENDITURE**

No abnormal expenses accrued during 2006/2007

**35 RETIREMENT BENEFIT INFORMATION**

The municipality provides for retirement benefits to its employees and councillors and contribute to the under - mentioned pension funds:

Joint Municipal Pension Fund  
Municipal Employees Pension Fund  
Municipal Gratuity Fund  
SANLAM Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

All Pension Funds are defined contribution plans.

*Refer to Note 39 for Exemptions*

**36 IN KIND DONATIONS AND ASSISTANCE**

Secondment of International Finance Advisor and Interns by National Treasury for 2 years

**37 COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix E(1) and E(2)

**38 OTHER INFORMATION**

**1. The following decision was taken by Council regarding the alienation of Council owned houses and flat during 2005/2006**

A(8) GOOD GOVERNANCE: COUNCIL PROPERTY: ALIENATION OF COUNCIL OWNED HOUSES AND FLATS: 7/2/3 (10162995)  
The Executive Mayor, Councillor J Nsibande, put the recommendations as set out in the resolution below, to Council.

RESOLVED THAT

- (a) Council reconfirm its decision to alienate the Council owned flats and houses occupied by officials as set out in Council resolution A(21) of 24 March 2003;
- (b) Council take note of the progress with regard to the alienation of the Council owned houses and flats as indicated in annexure 804/2006;
- (c) Council enter into new lease agreements with all the affected occupants for a maximum period of 6 months from 1 August 2006 in order to enable the affected occupants to finalize all outstanding documents and financial support to continue with the intended purchase of the relevant properties;
- (d) the intended lease agreements mentioned in (c) should not make provision for any extension of time and the rent be based on market related rent, payable with effect from 1 August 2006, as indicated in annexure 804/2006;
- (e) in the event that the intended deeds of sale are not finalized and properties transferred within the six months period mentioned in (c) above, the relevant properties be vacated immediately, the alienation thereof be delegated to the Executive Mayor and Mayoral Committee (in which case Council resolution A(21)(d) of 24 March 2006 be amended accordingly) and a report in this regard be submitted to Council for information;
- (f) the progress with the matter be checked on 1 December 2006 and the relevant occupants be reminded in writing of (c), (d) and (e) above;
- (g) the Budget and Treasury Office, in conjunction with Corporate Services, co-ordinate and inform the relevant officials of these resolutions immediately;
- (h) the alienation of the two vacant flats at Nelpark (Portions 39 and 80 of Erf 644, Sonheuwel Extension 1) also be delegated to the Executive Mayor and Mayoral Committee for finalisation and be included in the report to be submitted to Council, in terms of (e) above, for information;
- (i) the funds generated through the alienation of the properties be used to purchase strategic land for future development;
- (j) the house in White River (Erf 885, White River) be retained as Council property in order to be able to accommodate the manager of the Entrepreneurial Skill against Poverty project as agreed between Council and North Rhine Westphalia;
- (k) the three bedroom flat at Nelpark (Portion 45 of Erf 644, Sonheuwel Extension 1) be retained as Council property in order to be able to accommodate the volunteers of the SPACE project;
- (l) no official be allowed to purchase more than one house or flat



**MBOMBELA LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**39 LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT 2003, EXEMPTIONS**  
*General Notice 552 of 2007, issued in Government Gazette no. 30013 of 29 June 2007*

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Estimate date of compliance
Property, plant and equipment (GAMAP 17)	Review of useful life of items of PPE recognized in the annual financial statements [paragraphs 59 – 61, and 77]	<p><b>ELECTRICAL ASSETS:REDS</b></p> <p>Appoint a service provider to assist municipality due lack of capacity</p> <p>Identification &amp; componentization of assets</p> <p>Measurement &amp; recognition of assets</p> <p>Classification of PPE</p> <p>Update asset register</p> <p><b>WATER &amp; OTHER INFRASTRUCTURE ASSETS:</b></p> <p>Appoint service provider to assist municipality due to lack of capacity</p> <p>Identification &amp; componentization of assets</p> <p>Measurement &amp; recognition of assets</p> <p>Development of Asset Management Plans for Water, Sanitation, Streets &amp; Storm water</p> <p>Classification of assets</p> <p>Training of asset management personnel on asset management</p> <p>Update asset register with assistance of service provider due to capacity</p> <p>Recalculate financial ratios: solvability, etc</p> <p>Funding of all these activities will be a challenge to the municipality due to nature of the work to be done and lack of expertise. However, the municipality will budget for what it could afford during the budget process for 2008/09.</p> <p>Risk Management</p>	June 2008
	Review of depreciation method applied to PPE recognised in the annual financial statements [paragraphs 62 and 77]	Determine life span & method of depreciation with the assistance of service provider due to capacity challenge or with assistance of International Financial Advisor allocated to municipality by National Treasury.	June 2008
	Impairment of non-cash-generating assets [paragraphs 64 – 69 and 75(e)(v) – (vi)]	Identification of con-cash generating assets	June 2008
	Impairment of cash-generating assets [paragraphs 63 and 75(e)(v) – (vi)]	Identification of cash generating assets	June 2008
Impairment of Assets (IAS 36/AC 128)	Entire Standard		June 2008
Inventories (GAMAP 12)	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	Land audit to identify undeveloped & developed land for the municipality	June 2008
	The entire standard to the extent that it relates to water stock that was not purchased by the municipality	Appoint service provider to assist Civil engineering due to lack of expertise	June 2008
Investment Property (IAS 40/AC 135)	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	Not applicable	June 2008
	Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard [paragraphs 79(e)(i) – (iii)]	Not applicable	June 2008

**MBOMBELA LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

Leases (IAS 17/AC 105)	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement.  [SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105]	Analyze all leases of the municipality	June 2008
Intangible Assets (IAS 38/AC 129)	The entire standard except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed	Compliant	June 2008
Employee Benefits (IAS 19/AC 116)	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. [paragraphs 29, 48 – 119, 120A(c)-(q)]	Appoint Actuarial if municipal Pension Administrator cannot provide assistance	June 2008
Revenue (GAMAP 9)	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. [SAICA circular 09/06 and paragraph 12]	Assess/review system designs for initial measurement of fair value with assistance of Business Connexion – IT Contract Manager & International Financial Advisor	June 2008
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	Initially measuring financial assets and financial liabilities at fair value. [SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/AC 133]	Conduct an analysis to ensure that all Financial Instruments are recognition and measurement	June 2008
Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142)	Classification, measurement and disclosure of non-current assets held for sale.  [paragraphs 6 – 14, 15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42]	Not Applicable	June 2008
Financial Instruments: Disclosures (IFRS 7/AC 144)	Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.	Conduct an analysis to ensure that all Financial Instruments are recognition and measurement	June 2008
Construction Contracts (IAS 11/AC 109)	Entire Standard	An assessment on the 2010 stadium with assistance of the International Financial Advisor / a service provider due lack of expertise within the municipality.	June 2008
Business Combinations (IFRS 3/AC 140)	Entire Standard	Not applicable	June 2008
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134)	Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	Fully compliant to this standard.	June 2006

*The fact that the comparatives (i.e. the 2005/2006 accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the application of the exemptions.*

**40 CONTINGENT LIABILITY**

**2006/2007**

- (1). Action was instituted against the Municipality by Telegenix 655 Trading CC in the amount of R7 313 522.36
- (2). Botmac Mbombela (Pty) Ltd. they claimed R19 million. Attorney's estimate of financial exposure (inclusive of costs and disbursements) is R6 000 000. Attorney's remarks: Matter may be settled.

APPENDIX A

MBOMBELA LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

			Balance at 01/07/06	Received during year	Redeemed transferred or written off during Year	Deferred Interest	Balance at 30/06/07	
EXTERNAL LOANS								
LOAN NO	%	REDEEMABLE						
Local Registered Stock:								
3	11.60%	1976/2001	3,000	-	-	-	3,000	
79A	17.20%	30/06/2011	2,900,000	-	-	-	2,900,000	
80A	17.00%	30/06/2011	9,000,000	-	-	-	9,000,000	
			11,903,000	-	-	-	11,903,000	
Annuity Loans:								
ABSA								
R	14,350,000	13.10%	2002/2012	11,063,142	-	1,201,370	-	9,861,772
Delta								
	R1,000,000			769,139	-	-	-	769,139
Development Bank of South Africa								
R	22,000,000	15.50%	1998/2016	21,115,646	-	863,666	(31,683)	20,220,297
INCA								
R	25,000,000	10.50%	2005/2020	24,383,098	-	853,898	-	23,529,200
R	20,000,000	16.43%	2000/2009	9,636,338	-	3,016,755	-	6,619,583
R	15,000,000	12.61%	2001/2011	9,899,282	-	1,517,049	-	8,382,233
R	8,300,000	12.61%	2002/2011	5,605,119	-	858,975	-	4,746,144
Nedcor Bank Limited								
R	28,200,000	23.79%	1997/2007	5,835,407	-	5,390,952	(444,455)	-
			88,307,170	-	13,702,665	(476,138)	74,128,367	
			100,210,170	-	13,702,665	(476,138)	86,031,367	

**APPENDIX B**  
**MBOMBELA LOCAL MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND QUIPMENT AS AT 30 JUNE 2007**

	COST					ACCUMULATED DEPRECIATION				
	Opening Balance	Additions	Under Construction	Disposals/ Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Transfers	Closing Balance	Carrying Value
<b>Land and Buildings</b>										
Land	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
<b>INFRASTRUCTURE</b>										
Roads, Pavements, Bridges & Stormwater	272,164,313	25,994,392	-	-	298,158,705	83,891,891	9,538,736	-	93,430,627	204,728,078
Water Reservoirs & Reticulation	345,085,345	67,299,041	-	-	412,384,386	113,469,737	10,971,781	-	124,441,518	287,942,868
Sewerage Purification & Reticulation	43,736,901	21,015,482	-	-	64,752,383	6,503,962	1,263,036	-	7,766,998	56,985,385
Car Parks, Bus Terminals & Taxi Ranks	923,491	-	-	-	923,491	130,424	23,087	-	153,511	769,980
Electricity Reticulation	42,027,900	7,246,999	-	-	49,274,899	6,515,407	2,055,001	-	8,570,408	40,704,491
Housing	2,418,044	-	-	-	2,418,044	532,804	48,361	-	581,165	1,836,879
Street Lighting	4,184,066	1,165,467	-	-	5,349,533	1,618,221	195,933	-	1,814,154	3,535,379
Refuse sites	3,407,923	1,860,605	-	-	5,268,528	207,767	169,183	-	376,950	4,891,579
Other	11,440,017	13,715	-	-	11,453,732	4,570,843	378,851	-	4,949,694	6,504,038
	<b>725,388,000</b>	<b>124,595,702</b>	-	-	<b>849,983,702</b>	<b>217,441,056</b>	<b>24,643,969</b>	-	<b>242,085,025</b>	<b>607,898,677</b>
<b>COMMUNITY ASSETS</b>										
Establishment of Parks & Gardens	8,339,879	149,412	-	-	8,489,291	1,866,765	168,274	-	2,035,039	6,454,251
Sportfields	10,222,452	188,281,505	-	-	198,503,957	807,351	231,747	-	1,039,098	197,464,859
Community Halls	1,360,764	-	-	-	1,360,764	341,280	40,010	-	381,290	979,474
Libraries	184,736	-	-	-	184,736	38,169	4,311	-	42,480	142,256
Recreational Facilities	3,529,537	-	-	-	3,529,537	1,018,817	126,732	-	1,145,549	2,383,988
Clinics	27,816	-	-	-	27,816	20,861	6,954	-	27,815	1
Museums & Art Galleries	-	-	-	-	-	-	-	-	-	-
Fire Services	-	-	-	-	-	-	-	-	-	-
Cemetaries	-	-	-	-	-	-	-	-	-	-
Other	4,258,919	44,741	-	-	4,303,660	326,295	90,647	-	416,942	3,886,718
	<b>27,924,103</b>	<b>188,475,657</b>	-	-	<b>216,399,760</b>	<b>4,419,538</b>	<b>668,675</b>	-	<b>5,088,213</b>	<b>211,311,548</b>
<b>Total Carried Forward</b>	<b>753,312,103</b>	<b>313,071,359</b>	-	-	<b>1,066,383,462</b>	<b>221,860,594</b>	<b>25,312,644</b>	-	<b>247,173,238</b>	<b>819,210,225</b>

**APPENDIX B**  
**MBOMBELA LOCAL MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND QUIPMENT AS AT 30 JUNE 2007**

	COST					ACCUMULATED DEPRECIATION				
	Opening Balance	Additions	Under Construction	Disposals/ Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Transfers	Closing Balance	Carrying Value
<b>Total Brought Forward</b>	<b>753,312,103</b>	<b>313,071,359</b>	-	-	<b>1,066,383,462</b>	<b>221,860,594</b>	<b>25,312,644</b>	-	<b>247,173,238</b>	<b>819,210,225</b>
<b>OTHER ASSETS</b>										
Other Motor Vehicles	30,182,888	8,855,750	-	-	39,038,638	27,070,420	988,686	167,889	27,891,217	11,147,421
Plant & Equipment	-	-	-	-	-	-	-	-	-	-
Office Equipment	16,159,171	428,993	-	-	16,588,164	15,192,437	525,696	-	15,718,133	870,031
Abattoirs	-	-	-	-	-	-	-	-	-	-
Markets	272,496	-	-	-	272,496	19,075	5,450	-	24,525	247,971
Airports	-	-	-	-	-	-	-	-	-	-
Security Measures	387,955	-	-	-	387,955	49,186	36,256	-	85,442	302,513
Civic, Land & Buildings	16,545,957	423,282	-	-	16,969,239	1,211,158	379,002	-	1,590,160	15,379,079
Other Land & Buildings	69,631,630	419,088	-	-	70,050,718	22,440,639	1,556,387	-	23,997,026	46,053,692
Other	17,021,426	6,213,696	-	-	23,235,122	15,621,086	123,498	-	15,744,584	7,490,538
	<b>150,201,523</b>	<b>16,340,809</b>	-	-	<b>166,542,332</b>	<b>81,604,001</b>	<b>3,614,975</b>	<b>167,889</b>	<b>85,051,087</b>	<b>81,491,245</b>
<b>HERITAGE ASSESTS</b>										
Heritage Assests	-	78,904	-	-	78,904	-	-	-	-	78,904
	-	<b>78,904</b>	-	-	<b>78,904</b>	-	-	-	-	<b>78,904</b>
<b>SPECIALISED VEHICLES</b>										
Refuse	2,502,627	2,045,400	-	-	4,548,027	219,208	270,827	-	490,035	4,057,992
Fire	827,150	-	-	-	827,150	68,930	55,143	-	124,073	703,077
Conservancy	-	3,513,466	-	-	3,513,466	-	-	-	-	3,513,466
	<b>3,329,777</b>	<b>5,558,866</b>	-	-	<b>8,888,643</b>	<b>288,138</b>	<b>325,971</b>	-	<b>614,109</b>	<b>8,274,535</b>
<b>TOTAL</b>	<b>906,843,403</b>	<b>335,049,938</b>	-	-	<b>1,241,893,341</b>	<b>303,752,733</b>	<b>29,253,589</b>	<b>167,889</b>	<b>332,838,433</b>	<b>909,054,908</b>
<i>Refer to Note 39 for Exemptions</i>										

**APPENDIX C**  
**MBOMBELA LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY PLANT AND QUIPMENT AS AT 30 JUNE 2007**

COST						ACCUMULATED DEPRECIATION				
Opening Balance	Opening Balance	Additions	Under Construction	Disposals/ Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Transfers	Closing Balance	Carrying Value
<b>EXECUTIVE &amp; COUNCIL</b>	<b>3,542,470</b>	<b>188,111,962</b>	-	-	<b>191,654,432</b>	<b>1,699,697</b>	<b>269,836</b>	<b>167,889</b>	<b>1,801,644</b>	<b>189,852,788</b>
Council General	713,713	-	-	-	713,713	376,657	27,632	-	404,289	309,424
Executive Mayor & Councillors	972,173	117,000	-	-	1,089,173	559,522	159,767	167,889	551,400	537,773
Municipal Manager	258,063	-	-	-	258,063	230,846	12,293	-	243,139	14,924
Chief Operations Manager	1,598,521	187,994,962	-	-	189,593,483	532,672	70,144	-	602,816	188,990,667
<b>FINANCE &amp; ADMINISTRATION</b>	<b>28,671,844</b>	<b>1,348,575</b>	-	-	<b>30,020,419</b>	<b>16,536,674</b>	<b>696,582</b>	-	<b>17,233,256</b>	<b>12,787,163</b>
Chief Financial Officer	2,949,555	121,495	-	-	3,071,050	2,665,317	47,804	-	2,713,121	357,929
Financial Planning	526,427	22,756	-	-	549,183	418,156	12,804	-	430,960	118,223
Income and Revenue Management	1,983,210	48,302	-	-	2,031,512	1,725,722	24,928	-	1,750,650	280,862
Debt Collection and Credit Control	1,266,122	-	-	-	1,266,122	1,184,539	80,265	-	1,264,804	1,318
Information Technology (Computer Service)	-	431,722	-	-	431,722	-	-	-	-	431,722
Human Resources	628,381	-	-	-	628,381	204,424	37,667	-	242,091	386,290
Support Services	2,171,361	724,300	-	-	2,895,661	1,960,451	7,898	-	1,968,349	927,312
Properties	18,292,878	-	-	-	18,292,878	7,633,459	474,254	-	8,107,713	10,185,165
Administration & Legal Service	822,325	-	-	-	822,325	715,298	8,685	-	723,983	98,342
Director Corporate Service Administration	31,585	-	-	-	31,585	29,308	2,277	-	31,585	-
<b>PLANNING &amp; DEVELOPMENT</b>	<b>25,240,120</b>	<b>2,209,178</b>	-	-	<b>27,449,298</b>	<b>9,091,069</b>	<b>662,262</b>	-	<b>9,753,331</b>	<b>17,695,967</b>
Planning & Development	15,596,345	2,209,178	-	-	17,805,523	5,757,163	517,470	-	6,274,633	11,530,890
Technical & Civil Engineering	9,643,775	-	-	-	9,643,775	3,333,906	144,792	-	3,478,698	6,165,077
<b>ROAD TRANSPORT</b>	<b>302,550,468</b>	<b>31,787,152</b>	-	-	<b>334,337,620</b>	<b>98,965,747</b>	<b>10,291,458</b>	-	<b>109,257,205</b>	<b>225,080,415</b>
Vehicle Licensing & Testing	7,361,635	277,562	-	-	7,639,197	1,598,249	160,015	-	1,758,264	5,880,933
Roads & Stormwater	255,400,397	31,509,590	-	-	286,909,987	74,165,917	9,579,117	-	83,745,034	203,164,953
Roads Other	39,788,436	-	-	-	39,788,436	23,201,581	552,326	-	23,753,907	16,034,529
<b>COMMUNITY &amp; SOCIAL SERVICES</b>	<b>57,071,564</b>	<b>2,152,168</b>	-	-	<b>59,223,732</b>	<b>19,315,911</b>	<b>1,199,186</b>	-	<b>20,515,097</b>	<b>38,708,635</b>
Health Services	707,233	-	-	-	707,233	465,946	35,119	-	501,065	206,168
Libraries & Archives	429,082	844,473	-	-	1,273,555	294,327	11,418	-	305,745	967,810
Museums & Art Galleries	12,689,401	24,825	-	-	12,714,226	3,086,046	279,632	-	3,365,678	9,348,548
Community Halls, Culture Centres & Facilities	13,442,621	610,491	-	-	14,053,112	5,562,824	258,064	-	5,820,888	8,232,224
Civic Centre	21,551,949	-	-	-	21,551,949	8,044,581	470,834	-	8,515,415	13,036,534
Cemeteries & Crematoriums	5,891,512	449,079	-	-	6,340,591	543,932	100,476	-	644,408	5,696,183
Director Community Services	2,359,766	223,300	-	-	2,583,066	1,318,255	43,643	-	1,361,898	1,221,168
<b>PUBLIC SAFETY</b>	<b>17,993,406</b>	<b>3,757,049</b>	-	-	<b>21,750,455</b>	<b>11,935,468</b>	<b>597,369</b>	-	<b>12,532,837</b>	<b>9,217,618</b>
Fire & Rescue	5,822,637	1,079,657	-	-	6,902,294	3,730,118	193,212	-	3,923,330	2,978,964
Public Safety Other	12,170,769	2,677,392	-	-	14,848,161	8,205,350	404,157	-	8,609,507	6,238,654
<b>SPORT &amp; RECREATION</b>	<b>12,017,753</b>	<b>2,505,082</b>	-	-	<b>14,522,835</b>	<b>1,588,675</b>	<b>354,707</b>	-	<b>1,943,382</b>	<b>12,579,453</b>
Sport & Recreation	12,017,753	2,505,082	-	-	14,522,835	1,588,675	354,707	-	1,943,382	12,579,453
<b>WASTE MANAGEMENT</b>	<b>117,737,383</b>	<b>23,465,780</b>	-	-	<b>141,203,163</b>	<b>44,610,218</b>	<b>4,037,446</b>	-	<b>48,647,664</b>	<b>92,555,499</b>
Refuse & Solid Waste	16,187,652	4,047,845	-	-	20,235,497	9,880,345	601,271	-	10,481,616	9,753,881
Sewerage	101,549,731	19,417,935	-	-	120,967,666	34,729,873	3,436,175	-	38,166,048	82,801,618
<b>HOUSING</b>	<b>7,643,634</b>	-	-	-	<b>7,643,634</b>	<b>2,270,132</b>	<b>157,269</b>	-	<b>2,427,401</b>	<b>5,216,233</b>
Housing	7,643,634	-	-	-	7,643,634	2,270,132	157,269	-	2,427,401	5,216,233
<b>WATER</b>	<b>188,313,425</b>	<b>69,358,384</b>	-	-	<b>257,671,809</b>	<b>38,023,498</b>	<b>4,966,059</b>	-	<b>42,989,557</b>	<b>214,682,252</b>
Water Distribution	133,748,939	64,664,744	-	-	198,413,683	29,181,567	3,752,367	-	32,933,934	165,479,749
Water Purification	54,564,486	4,693,640	-	-	59,258,126	8,841,931	1,213,692	-	10,055,623	49,202,503
<b>ELECTRICITY</b>	<b>146,061,336</b>	<b>10,354,608</b>	-	-	<b>156,415,944</b>	<b>59,715,644</b>	<b>6,021,415</b>	-	<b>65,737,059</b>	<b>90,678,885</b>
Electricity Distribution	94,949,911	10,354,608	-	-	105,304,519	57,756,852	5,792,772	-	63,549,624	41,754,895
Streetlighting	51,111,425	-	-	-	51,111,425	1,958,792	228,643	-	2,187,435	48,923,990
<b>TOTAL</b>	<b>906,843,403</b>	<b>335,049,938</b>	-	-	<b>1,241,893,341</b>	<b>303,752,733</b>	<b>29,253,589</b>	<b>167,889</b>	<b>332,838,433</b>	<b>909,054,908</b>

Refer to Note 39 for Exemptions

**APPENDIX D**  
**MBOMBELA LOCAL MUNICIPALITY**  
**SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

<b>2006 ACTUAL INCOME R</b>	<b>2006 ACTUAL EXPENDITURE R</b>	<b>2006 SURPLUS / (DEFICIT) R</b>		<b>2007 ACTUAL INCOME R</b>	<b>2007 ACTUAL EXPENDITURE R</b>	<b>2007 SURPLUS / (DEFICIT) R</b>
90,714,728	87,511,486	3,203,242	Executive & Council	102,477,881	97,904,272	4,573,609
162,758,975	67,080,455	95,678,520	Finance & Admin	178,765,206	99,961,856	78,803,350
18,298,225	16,470,925	1,827,300	Planning & Development	5,070,322	16,884,800	(11,814,478)
357,037	10,145,221	(9,788,184)	Health	1,283,169	10,475,235	(9,192,066)
1,190,591	33,240,115	(32,049,524)	Community & Social Services	186,601,811	36,496,732	150,105,079
54,155,730	80,014,141	(25,858,411)	Public Safety	50,679,942	83,915,958	(33,236,016)
47,518,884	63,980,565	(16,461,681)	Waste Management	65,727,002	70,132,855	(4,405,853)
12,376,731	47,553,810	(35,177,079)	Road Transport	18,773,005	43,791,423	(25,018,418)
63,810,899	44,440,167	19,370,732	Water	76,356,846	73,564,491	2,792,355
161,842,287	143,483,755	18,358,532	Electricity	169,653,650	159,313,883	10,339,767
613,024,087	593,920,640	19,103,447	Sub-Total	855,388,834	692,441,505	162,947,329
-	54,035,671	(54,035,671)	Transfer Utilized Capital Projects	-	266,067,967	(266,067,967)
-	25,581,572	(25,581,572)	Transfer to CRR / Plus Nelpark Flats	-	28,000,000	(28,000,000)
-	118,973	(118,973)	Transfer to Land & property Development Fund	-	-	-
-	852,965	(852,965)	Transfer to Leave Reserve	-	3,103,276	(3,103,276)
-	2,136,660	(2,136,660)	Transfer to Surplus Operating Income	-	3,210,217	(3,210,217)
-	36,470	(36,470)	Transfer to Operating Expenditure	-	-	-
-	-	-	Transfer from CRR	-	(28,000,000)	-
-	-	-	Transfer from NDR Operating Expenditure	-	(1,199,044)	-
-	-	-	Transfer from Accumulated Surplus	-	(335,692)	-
-	(115,241,257)	115,241,257	Less InterDepartment Charges	-	(127,293,750)	127,293,750
<b>613,024,087</b>	<b>561,441,694</b>	<b>51,582,393</b>	<b>Total</b>	<b>855,388,834</b>	<b>835,994,479</b>	<b>19,394,355</b>

**APPENDIX E(1)**  
**MBOMBELA LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET(REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007**

	2007 ACTUAL R	2007 BUDGET R	2007 ADJUSTMENT BUDGET R	2007 VARIANCE R	2007 VARIANCE %	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 10% VERSUS BUDGET
<b>REVENUE</b>						
Property Rates	128,097,290	123,442,902	123,442,902	4,654,388	3.77%	
Property Rates - Penalties Imposed and Collection Charges	1,069,790	245,438	245,438	824,352	335.87%	Increase in debt Collection and credit Control Function
Service Charges	198,298,365	204,772,163	204,772,163	(6,473,798)	-3.16%	
Rental of Facilities and Equipment	1,838,661	1,988,146	1,988,146	(149,485)	-7.52%	
Interest Earned - External Investments						Interest received on zero bond investments was not included in the budget and proper cash management and unspent grants were invested
	21,330,963	7,119,850	7,119,850	14,211,113	199.60%	
Interest Earned - Outstanding Debtors	15,929,910	12,230,972	12,230,972	3,698,938	30.24%	Increase in Debtors
Fines	4,878,659	9,589,912	9,589,912	(4,711,253)	-49.13%	Increase in Public Vehicles
Licences and Permits	1,099,870	817,225	817,225	282,645	34.59%	Increase in Sundry Licences Fees for Vehicles
Income for Agency Services	41,538,124	34,195,562	34,195,562	7,342,562	21.47%	Increase in Public Vehicles and Licence Fees
Government Grants and Subsidies	128,666,723	146,344,070	150,278,557	(21,611,834)	-14.38%	
Capital Grants and Subsidies	266,067,967	-	-	266,067,967	100.00%	
Other Income	45,971,469	46,128,979	53,618,055	(7,646,586)	-14.26%	Additional Water Sales and Pre-Paid Electricity Sales
Gains on Disposal of Property, Plant and Equipment	601,043	-	-	601,043	100.00%	Sold of Flats and Houses
<b>Total Revenue</b>	<b>855,388,834</b>	<b>586,875,219</b>	<b>598,298,782</b>	<b>257,090,052</b>	<b>42.97%</b>	
<b>EXPENDITURE</b>						
Employee Related Costs	176,301,175	179,462,597	179,462,597	(3,161,422)	-1.76%	
Remuneration of Councillors	12,217,409	11,574,219	12,238,912	(21,503)	-0.18%	
Depreciation	29,253,589	18,944,780	30,762,293	(1,508,704)	-4.90%	
Repairs and Maintenance	57,684,962	57,524,337	62,537,121	(4,852,159)	-7.76%	
Interest Paid						An amount of R23 945 332 were budgeted for a loan and never been raised.
	12,649,059	16,485,746	16,485,746	(3,836,687)	-23.27%	
Bulk Purchases	99,056,576	99,011,921	99,011,921	44,655	0.05%	
Contracted Services	46,333,510	49,474,636	50,598,829	(4,265,319)	-8.43%	
Grants and Subsidies Paid	-	-	-	-	0.00%	
General Expenses						
	101,352,462	111,715,555	116,337,459	(14,984,997)	-12.88%	DWAF (Nsikazi) Water Assets transfer. Received Operational Grant
Departmental Charges	126,818,104	126,821,982	126,821,982	(3,878)	0.00%	
Contributions to / (transfers from) Provisions	30,699,122	31,177,835	31,177,835	(478,713)	-1.54%	
Loss on Disposal of Property, Plant and Equipment	75,537	273,078	273,078	(197,541)	100.00%	
<b>Less : Amounts Charged Out</b>	<b>(127,293,750)</b>	<b>(127,408,980)</b>	<b>(127,408,980)</b>	<b>115,230</b>	<b>-0.09%</b>	
Transfer Utilized Capital Projects	266,067,967	-	-	266,067,967	100.00%	Transfers to Funds
Transfer to CRR / Plus Nelpark Flats	28,000,000	11,817,513	28,000,000	-	0.00%	Transfers to Funds
Transfer to Land & property Development Fund	-	-	-	-	100.00%	Transfers to Funds
Transfer to Leave Reserve	3,103,276	-	-	3,103,276	100.00%	Transfers to Funds
Transfer to Surplus Operating Income	3,210,217	-	-	3,210,217	100.00%	Transfers to Funds
Transfer to Operating Expenditure	-	-	-	-	100.00%	Transfers to Funds
Transfer from CRR	(28,000,000)	-	-	(28,000,000)	100.00%	Transfers from Funds
Transfer from NDR Operating Expenditure	(1,199,044)	-	-	(1,199,044)	100.00%	Transfers from Funds
Transfer from Accumulated Surplus	(335,692)	-	-	(335,692)	100.00%	Transfers from Funds
<b>Total Expenditure</b>	<b>835,994,479</b>	<b>586,875,219</b>	<b>626,298,793</b>	<b>209,695,686</b>	<b>33.48%</b>	
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>19,394,355</b>	<b>-</b>	<b>(28,000,011)</b>	<b>19,394,355</b>		



**APPENDIX E(2)**  
**MBOMBELA LOCAL MUNICIPALITY**  
**ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007**

	2007 ACTUAL R	2007 UNDER CONSTRUCTION R	2007 TOTAL ADDITIONS R	2007 BUDGET R	2007 ADJUSTMENT BUDGET R	2007 VARIANCE R	2007 VARIANCE %	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 5% VERSUS BUDGET
Executive & Council	188,111,962	-	188,111,962	8,750,000.00	98,856,111.00	89,255,851	90.29%	Due to the procurement process, the purchases of equipment and projects can't be done or started immediately
Finance & Admin	1,348,575	-	1,348,575	1,000,000.00	2,187,672.00	-839,097	-38.36%	Due to the procurement process, the purchases of equipment and projects can't be done or started immediately
Planning & Development	2,209,178	-	2,209,178	1,000,000.00	3,295,591.00	-1,086,413	-32.97%	Due to the procurement process, the purchases of equipment and projects can't be done or started immediately
Health	0	-	0	300,000.00	300,000.00	-300,000	100.00%	Due to the procurement process, the purchases of equipment and projects can't be done or started immediately
Community & Social Services	2,152,168	-	2,152,168	4,670,000.00	7,515,282.00	-5,363,114	-71.36%	Due to the procurement process, the purchases of equipment and projects can't be done or started immediately
Housing	-	-	0	4,100,000.00	10,641,171.00	-10,641,171	-100.00%	Due to the procurement process, the purchases of equipment and projects can't be done or started immediately
Public Safety	3,757,049	-	3,757,049	4,130,000.00	8,737,432.00	-4,980,383	-57.00%	Due to the procurement process, the purchases of equipment and projects can't be done or started immediately
Sport & Recreation	2,505,082	-	2,505,082	0.00	180,234.00	2,324,848	1289.91%	Mbombela Stadium for 2010 World Cup
Waste Management	23,465,780	-	23,465,780	17,838,612.00	44,637,381.00	-21,171,601	-47.43%	Projects were delay due to late approval of business plans by government.
Road Transport	31,787,152	-	31,787,152	31,799,755.00	52,631,935.00	-20,844,783	-39.60%	Projects were delay due to late approval of business plans by government.
Water	69,358,384	-	69,358,384	48,966,098.00	146,437,830.00	-77,079,446	-52.64%	Projects were delay due to late approval of business plans by government.
Electricity	10,354,608	-	10,354,608	21,700,000.00	43,109,782.00	-32,755,174	-75.98%	Projects were delay due to late approval of business plans by government.
<b>TOTAL</b>	<b>335,049,938</b>	<b>0</b>	<b>335,049,938</b>	<b>144,254,465</b>	<b>418,530,421</b>	<b>-83,480,483</b>	<b>-57.87%</b>	

**APPENDIX F**  
**MBOMBELA LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07			
FMG - SERVICES	MP322	-	-	500,000	-	-	138,184	460,481	195,792	272,340	315,551	-	-	-	-	-		Yes / No	
FMG- PROVINCE	MP322	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		yes	
MHIU	MP322	-	39,519	-	-	-	-	-	-	-	-	-	-	-	-	-		yes	
EDM	MP322	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		yes	
MSG	MP322	-	734,000	367,000	367,000	-	-	-	-	-	60,300	-	-	-	-	-		yes	
E-Share	MP322	1,221	30,240,225	34,127,118	25,600,495	42,643,543	19,463,535	19,463,535	20,003,882	20,003,882	20,003,882	-	-	-	-	-		yes	
LED	MP322	-	-	-	-	-	188,983	1,827	54,156	19,337	-	-	-	-	-	-		yes	
MSP	MP322	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		yes	
REP	MP322	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		yes	
HEALTH	MP322	-	-	315,000	315,000	315,000	2,111,779	2,139,499	2,201,201	2,387,139	2,368,428	-	-	-	-	-		yes	
AIDS	MP322	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		yes	
DWAF	MP322	7,165,963	-	12,777,718	-	8,129,935	3,040,573	7,740,138	6,278,112	9,025,834	8,069,478	-	-	-	-	-		yes	
DME	MP322	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		yes	
HOUSING (Masoyi PHP)	MP322	-	-	-	300,000	533,148	-	-	69,300	94,710	254,988	-	-	-	-	-		yes	
MIG	MP322	-	-	19,329,772	18,448,362	19,211,400	-	-	13,321,754	12,584,893	14,844,615	-	-	-	-	-	An amount of R8 489 000 was subsequently withheld by National Treasury due to persistent underspending	yes	
		7,167,185	31,013,744	67,416,608	45,030,857	70,833,026	24,943,055	29,805,480	42,124,197	44,448,435	45,856,942	-	-	-	-	-			